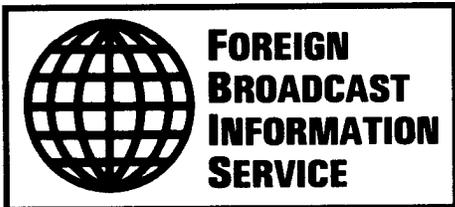


106140

JPRS-EER-88-012  
17 FEBRUARY 1988



# ***JPRS Report***

# **East Europe**

19980612 086

**DISTRIBUTION STATEMENT A**

**Approved for public release;  
Distribution Unlimited**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
SPRINGFIELD, VA 22161

10  
49  
A03

# East Europe

JPRS-EER-88-012

## CONTENTS

17 FEBRUARY 1988

### POLITICAL

#### HUNGARY

- Hungarian Heads Washington Consular Interest Group; Its Activities Discussed  
[Istvan Sandor Interview; *KEPES* 7, 8 Nov 87] ..... 1
- First Meeting of Democratic Forum Discussed  
[Arpad Szabadfalvy; *TYGODNIK POWSZECHNY*, 29 Nov 87] ..... 3
- Meaning of Socialist Values Called Obscure  
[Ivan T. Berend, Istvan Huszar, Imre Pozsgay Interviews; *FIGYELO*, 5 Nov 87] ..... 3
- Sociologist Blames System for Social Malaise, Ill Health  
[Agnes Losonczy Interview; *HETI VILAGGAZDASAG*, 21 Nov 87] ..... 7

#### POLAND

- Restructuring as Basis for Soviet-Polish Trade Agreements  
[Mieczyslaw Pszczolkowski Interview; *NOWINY*, 19 Oct 87] ..... 8
- Polish-Soviet Philosophy Conference on Restructuring [TRYBUNA LUDU, 23 Oct 87] ..... 10
- Torun Discussion on Soviet Restructuring, Foreign Policy [TRYBUNA LUDU, 22 Oct 87] ..... 10
- Reform Necessitates New, Updated Legislation [Ryszard Tupin; *RZECZPOSPOLITA*, 23 Oct 87] . 10
- Polish, Soviet Youth Exchange Views on Reform, Other Issues [RZECZPOSPOLITA, 22 Oct 87] . 11
- CPSU CC Delegation Visits PZPR Academy [RZECZPOSPOLITA, 22 Oct 87] ..... 11
- PZPR Academy Hosts Bloc Meeting on 'Prospects' of Socialist Development  
[TRYBUNA LUDU, 22 Oct 87] ..... 12
- Bialystok PZPR Hosts Discussion on Gomulka [RZECZPOSPOLITA, 22 Oct 87] ..... 12
- Speech at Sixth Plenum by Gen Div Szacilo, Army Political Administration Chief  
[ZOLNIERZ WOLNOSCI, 26 Nov 87] ..... 12
- Sejm Delegation Visits Iraq [TRYBUNA LUDU, 22 Oct 87] ..... 14
- TU Role in Sejm Discussions, Process Supported  
[Pawel Szymanski Interview; *ZYCIE WARSZAWY*, 22 Oct 87] ..... 15

### MILITARY

#### POLAND

- Soviet Military Attache Tours Coast, Lectures on Perestroika  
[ZOLNIERZ WOLNOSCI, 8 Dec 87] ..... 17
- Warsaw Garrison Housing Rated 'Especially Difficult'

### ECONOMIC

#### HUNGARY

- National Assembly's Role in Economic, Budget Decisions Discussed [FIGYELO, 3 Dec 87] ..... 18
- New Bond Type Introduced To Spur Enterprise Success  
[Gyorgyi Kocsis; *HETI VILAGGAZDASAG*, 7 Nov 87] ..... 22
- '30 Percent of Private Enterprises May Fold' [Janos Palotas Interview; *OTLET*, 19 Nov 87] ..... 25
- 'Industrial Policy at the Crossroads' [Bela Greskovits Interview; *MAGYAR NEMZET*, 3 Dec 87] .... 26

#### POLAND

- Interest in Dollar CD's on Rise [ZYCIE WARSZAWY, 6 Nov 87] ..... 29
- Increased Train Traffic With USSR [Andrzej Kozminski; TRYBUNA LUDU, 5 Nov 87] ..... 29
- Difficulties in Exporting to CEMA Countries Cited [RZECZPOSPOLITA, 5 Nov 87] ..... 30

Economic Value, Rationale of 'Dollar Stores' Argued .....	30
Financial, Social Benefits Viewed	
[ <i>Marzenna Spolnicka, Jerzy A. Salecki; TRYBUNA LUDU, 5-6 Sep 87</i> ] .....	30
Readers' Responses Summarized	
[ <i>Marzena Spolnicka, Jerzy A. Salecki; TRYBUNA LUDU, 24-25 Sep 87</i> ] .....	33
Polish National Bank Official on Latest Bank Reforms	
[ <i>Zdzislaw Pakula Interview; RZECZPOSPOLITA, 12 Nov 87</i> ] .....	36
Black-Market Rates Paid for Official Bonds [TRYBUNA LUDU, 7-8 Nov 87] .....	39
Profits Viewed as Major Factor in Implementing Reform	
[ <i>Andrzej Wroblewski; ZYCIE GOSPODARCZE, 29 Nov 87</i> ] .....	39
Rise in Costly Reimport of Polish Goods [ZYCIE WARSZAWY, 5 Nov 87] .....	43
Pay-Scale Program at Individual Enterprise Studied	
[ <i>Jan Kraszewski; TRYBUNA LUDU, 6 Nov 87</i> ] .....	44

## SOCIAL

### POLAND

1988 Poppy Growth Limited to Current Levels [RZECZPOSPOLITA, 22 Oct 87] .....	45
---	----

## HUNGARY

### **Hungarian Heads Washington Consular Interest Group; Its Activities Discussed**

25000048 Budapest KEPES 7 in Hungarian  
8 Nov 87 p 6

[Telephone interview with Dr Istvan Sandor, newly elected head of Washington interest group representing foreign consuls in the United States, by Edit Bors; date of interview not given]

[Text] [Question] Although not reported in the domestic press, the news has spread in Budapest that you, a Hungarian, have become the head of the consular interest group in Washington. May we congratulate you?

[Answer] The news is true, and I thank you for your congratulations. But you are a bit late, because all this happened in mid-June.

[Question] Were you appointed or elected?

[Answer] I was elected, by ballot, and unanimously, which is extremely gratifying. Moreover, this is the first time a diplomat from a socialist country heads the consular interest group in Washington.

[Question] To what do you attribute this trust?

[Answer] I have been stationed in Washington since 1983 and have been participating in the work of the consular interest group from the very beginning. I have always strived to treat my colleagues not only as it behooves a career diplomat, but also as a tactful person. They got to know me, perhaps even to like me, and their trust in me has increased with each passing year.

[Question] What actually is the consular interest group?

[Answer] It was established in 1954, on the initiative of an Indian diplomat, if I am not mistaken (the group has no "recorded history"), to represent the interests of the consuls and consular officials working in Washington.

[Question] In dealing with whom?

[Answer] Not with "whom" but with the State Department, America's ministry of foreign affairs. If a problem arises involving a consular official, our group deliberates it, agrees on a standpoint, and intercedes with the authorities concerned.

[Question] In what may a consul become involved?

[Answer] In an accident, a misunderstanding, anything. Like anyone else. It is our duty to help him if possible, defend him, and perhaps claim immunity for him.

[Question] How many members does the interest group have?

[Answer] It has 150 members, from 80 countries.

[Question] That is quite a lot. You may perhaps remember that here at home it is sometimes difficult to convene even a meeting of a building's tenants. How are you able to function?

[Answer] Extremely well. We meet once a month to discuss matters of common interest. To these working lunches, at some elegant Washington hotel, we always invite a prominent politician, a senator or a high-ranking government official. We strive to establish personal relations with American leaders, with members of Congress and the chiefs of the Immigration and Naturalization Service and U.S. Customs. We also have two honorary members. One is Shirley Temple, the famous actress. The other is Richard Nixon, the well-known statesman.

[Question] In other words, you are fostering friendly relations informally. Which is both pleasant and useful.

[Answer] It is indeed. Through the consular interest group, my colleagues have already resolved many delicate questions that could hardly have been settled bilaterally. Everywhere in the world it is easier to solve troublesome matters through personal contacts, informally.

[Question] Have you yourself had any "troublesome matters" so far?

[Answer] As a member of the consular interest group, no. But as Hungarian consul, I have already helped many citizens who were in trouble.

[Question] What sort of trouble?

[Answer] All kinds. It is common knowledge that some Hungarian girls prefer to marry American citizens. But some of these marriages break down. It has happened that a wife driven from her home, carrying two children in her arms and pregnant with her third child, appeared at the embassy and requested our immediate assistance to return to Hungary. Naturally, we bought their airline tickets and put them on board. There are many other "shocking" cases as well. For example, a young trainee was arrested for alleged shoplifting. When I heard an account of what happened, my impression was that too many details remained obscure and perhaps not everything had happened the way the authorities were informed. I immediately contacted the municipal police and the public prosecutor. After a very thorough joint investigation, I was able to persuade them to drop the charges.

[Question] I am unable to see you over the telephone. May I ask you your age?

[Answer] I am 44.

[Question] You sounded young, but I did not suspect you were that young. In such an important position, and in the capital of one of the superpowers at that. Tell me, where are you from?

[Answer] Borsodnadasd.

[Question] There cannot be many diplomats living there. Obviously, you have not inherited your career opportunity.

[Answer] No, I have not. I come from what is called a blue-collar background. But my mother claims that, at the age of 10, I declared my intention to become a diplomat. I lost my father at an early age: I was 16, a student at the boarding school in Sarospatak, when news of his death reached me.

[Question] It is quite a distance from Borsodnadasd to Washington.

[Answer] This is my fourth posting abroad. My first one, in Canada, likewise involved consular duties. I was quite young then, just a year or two after graduating from university.

[Question] Excuse me for interrupting. What did you study?

[Answer] I graduated from the Faculty of Political Science and Law. After Canada there followed special diplomatic duties in Saigon, on the Vietnam Control Commission. My next station was Ankara, in the No 2 slot after the ambassador [as counselor], a definitely political assignment.

[Question] Have you ever been embroiled in a diplomatic row?

[Answer] My work is such that opportunity to become embroiled does arise. But experience, self-control, and perhaps my circumspection, have saved me from this. However, my cat did cause a breach of protocol once.

[Question] How?

[Answer] It happened still in Ankara. I was giving a dinner in my home. The guest of honor was the counselor of the Japanese Embassy. We were chatting pleasantly. It must have been around midnight when Topaz, my Siamese cat, appeared, sat down in the middle of the room, looked around, and then yawned widely at the Japanese counselor. The guest of honor sprang immediately to his feet, said that it was late and time to go home. This was the biggest "international difficulty" in which I was embroiled.

[Question] And the biggest one you resolved?

[Answer] The same one. I apologized on Topaz's behalf.

[Question] You obviously have access to every domestic newspaper and periodical. Yet the following question is perhaps not entirely stupid: In overseas service, are you able to keep close track of what is happening at home?

[Answer] Of course. We do indeed get newspapers, and we are informed quickly and directly about the most important events. But I must admit that occasionally people in the State Department tell me what is happening in Budapest even before a telex or phone call could have gotten through. This, of course, applies merely to news, and not to any classified information.

[Question] The indications are that you have been able to establish fairly good relations with the Americans.

[Answer] That is my job.

[Question] What is causing you the most difficulty?

[Answer] The great distances. The Hungarians living, working and traveling in the United States are scattered over a vast area. When they require urgent assistance, the distances make our work more difficult. In such cases we have to rely on the help of our American colleagues.

[Question] And on the telephone.

[Answer] That is true. On several occasions, immediate contact has literally saved the life of a person in trouble. Fortunately, the United States has an excellent telephone system covering the entire country.

[Question] Be forewarned. You will not find the same thing here.

[Answer] I know. Every summer on home leave, I find it frustrating that it is more difficult to phone a neighboring district from my apartment in Pest, than to dial Chinatown in New York, from Washington.

[Question] A final question: What do you find the most trying in the service?

[Answer] Don't laugh, but I find the official dinners, receptions and cocktail parties that I have to attend an ever-heavier burden. In other words, the fact that I have to eat and drink so much.

### First Meeting of Democratic Forum Discussed

26000095 *Krakow TYGODNIK POWSZECHNY*  
in Polish No 48, 29 Nov 87 p 6

[Article by Arpad Szabadfalvy: "Hungarian Democratic Forum." TYGODNIK POWSZECHNY is an independent Catholic weekly; its practice is to identify censored portions of the text by citing the applicable law.]

[Text] In central Hungary in the village of Lakitelek near Kecskemet, on 27 September, 150 Hungarian intellectuals met in a tent to consider by what method social forces can and should be put into motion to overcome the difficulties and consequences resulting from the serious social and economic crisis in Hungary. Imre Pozsgay, chairman of the Hungarian People's Patriotic Front (Hazafias Nepfront) was an invited guest at this friendly meeting in order that he might inform those assembled about the potential of the urgently needed reforms.

The initiators of the meeting—writers, political scientists, historians, people from the arts and sciences representing different generations, gathered in Lakitelek to find genuine forms of dialogue between the government and society. Among the participants at the meeting were universally known personalities such as Istvan Csurka, writer; Gyorgy Konrad, philosopher; and distinguished representatives of the scientific world, chiefly the social sciences, university professors, and employees of scientific institutes, not only from Budapest, but also from Miskolc, Segedyn and Debrecen. There were also some editors of periodicals, directors of youth clubs, and representatives of the larger religious denominations.

Imre Pozsgay, in opening the discussion, announced that he is taking part in such a meeting for the first time in his life and expressed the belief that the present critical situation can only be overcome through real reforms. These reforms, he said, should be initiated from the bottom ranks, with society exercising self-management on a broad scale. In our present situation, he emphasized, reform can only be a means to build a democratic Hungary on the principle of self-management.

Over 20 people took part in the discussion, in which they either expanded on the evaluation of the current situation or broadened the scope of the political decisions which are essential. Many suggestions and comments were made relative to reforms of the political management system as a whole. There was talk about the growing economic difficulties, about the constantly postponed reforms, about the lack of broad public consultation and the lack of appropriate bodies appointed for this purpose. Demands were also made that relations between the state and the Church be regularized. It was said that the people are still not sufficiently informed as to the hardships which they will have to face in the near future. It was emphasized also, that the cultural gap between Hungary and Europe is not shrinking, but is steadily growing.

The political scientists and the people of letters were in agreement that basic changes must be made. They should include discontinuance of the discredited central system of managing the economy [—] [Law of 31 July 81 on the control of publications and exhibits, Art 2, item 6 (DZIENNIK USTAW No 20, item 99 amended 1983 DZIENNIK USTAW No 44, item 204)]. Drastic solutions were demanded to protect the country from such consequences of the crisis as the uncontrolled development of events. No one should be permitted to solve social conflicts in this manner.

At the conclusion of the meeting, a declaration was approved and issued in which the participants at the meeting proposed the creation of a permanent Hungarian Democratic Front as a means of current and open exchange of views. The declaration, addressed to the country's leaders, also demands the creation of independent press organs, functioning within the framework of the existing constitution.

The Hungarian intellectuals gathered in Lakitelek passionately declared their responsibility for the country's fate and expressed the belief that only through broad social agreement and compromise can a way be found out of the blind alley.

9295

### Meaning of Socialist Values Called Obscure

25000045 *Budapest FIGYELO* in Hungarian  
5 Nov 87 p 3

[Interview with Ivan T. Berend, president of the Hungarian Academy of Sciences; Istvan Huszar, director of the HSWP CC's Party History Institute; and Imre Pozsgay, first secretary of the Patriotic People's Front: "Dogmas, Illusions, Values"]

[Text] It is an often heard statement that a socialist solution must be found to our problems. It is not difficult to agree with this position, but when we try to determine the actual content of the adjective socialist we discover that it is considerably vague and that there are many interpretations of it in society today. What could we consider as a socialist value? Ivan T. Berend, president of the Hungarian Academy of Sciences, Istvan Huszar, director of the HSWP CC's Party History Institute, and Imre Pozsgay, first secretary of the Patriotic People's Front, were the participants of the roundtable discussion organized by our editorial office who sought the answer to this question.

[Question] In my experience, many use the adjective socialist as an expression of absolute adherence to certain fundamental principles; others, however, also consider as socialist modes of problem solving which depart from earlier dogmas and discard, or significantly reinterpret, values traditionally considered socialist. In your view gentlemen, what is the content of this category?

I. Pozsgay: It is my personal conviction, and I believe that a large majority of the population also shares this mode of thinking, that the acceptance of socialism is a fundamental value about which public agreement could also be created in the future. For the adult generations socialism represents not so much some definite picture of society but rather the acceptance of a historical path which is also comprised of certain forms of public agreement. This includes the modernization of the social structure—the replacement in Hungarian history of the classes responsible for the country's backwardness and the wrong roles played in the most recent history—and the creation of social ownership of property. Today these issues are settled already, and I do not think that serious social forces exist which speculate about the restoration of the past era.

We count among socialist values the possibility of changing the social situation as well as the security of livelihood. Generally, the whole of society is responsible for these values. Opinion however is divided on whether the political forms that have evolved until now are the most appropriate, but society has also accepted these as a way of overcoming the traumas caused by the first decade of socialist direction of development and as the instruments of consolidation.

The generation now growing up however does not have any personal experience of the capability of this society for solving its problems and for giving satisfactory answers to its questions. At the same time, I see a certain fear of openly dealing with these questions, raised obviously not only by the youth, in connection with socialist development. That is to say that we take into consideration the extent of the economic output this system is capable of, what well-being and autonomy it assures its citizens and whether it is thereby able to make social activism unfold. Today, members of society give widely differing answers to these questions.

I would characterize the present era by saying that we are at a very early stage of the acceptance of socialism, and we have still not left behind the mass of illusions which have advanced the picture of an ideal society in the distant future. Here I am referring to the total security of livelihood and to a form of public administration of socially owned property in which all citizens may participate. These are not realistic demands today, and in terms of one type of value reassessment we would have to go back all the way to the starting point of socialist development. Naturally, this is possible only intellectually since the economic-social situation that has evolved is already a given today. I think it is important that in terms of a reassessment of socialism "Marx is not an obstacle". He, after all, foresaw the possibility of "raw" communism—equalizing poverty, and thereby destined to failure.

I. Huszar: In general, I can agree with what Imre Pozsgay has said. Perhaps it might be possible to continue listing the basic socialist values he started, but this is also

something of a matter of style. Humanism, for example, is a socialist value, but I must immediately add that most values that are called socialist are not system-specific, that is, they are also considered values in other societies.

Nowadays many speak of a confusion of values and even of a crisis of values. I do not agree with the latter. We should not consider the questioning of an old dogma or the intention of discarding it and the putting to rest of illusions as a loss of values or a crisis phenomenon. As a matter of fact, an increase in values has occurred over the past few years. For example, I consider the acceptance of the concept of entrepreneurship to be an instance of this, but I could also cite a greater appreciation of the national culture than before, or our becoming more open to the world outside.

However, there are undoubtedly value oriented confusions. The reason for this is that social truth has become more complex and that we are far more willing to acknowledge this than before; for that matter, we try to prove it. We however cannot speak of a developed socialist value system. I would also be wary of developing something like this theoretically since it will sooner or later, become a collection of dogmas.

It is not possible to create a definitive picture of the socialist future; our thinking about socialism must be modern and rooted in historical development. We must be mindful of this in our teaching of ideological subjects and in our propaganda work.

I. T. Berend: In my opinion it is also impossible to give a definition of the socialism that is to be attained—beyond a general formulation of certain basic principles. The demand itself is a result of a dogmatic era, since this conception of socialism was totally alien to Marx. In the work he co-authored with Engles titled "The German Ideology" they even expressly emphasized that it is not possible to deduce socialism from an ideal theoretical picture—"in our view communism is not an abstract ideal to which reality must be made to conform"—it could only evolve out of the processes of reality, from the "existing preconditions". Naturally, in every age there are ideas and values considered worthy of following; however, these must be examined again and again. Thus, for example, the classics obviously do not give guidance for the creation of the presently desirable forms of socially owned property. For that matter, the conclusions they drew from the processes they observed in the middle of the 19th century also have not stood the test of time in all respects. This would be natural for them since they themselves reviewed their earlier ideas more than once because they observed the changing of tendencies even within a generation. For example, on the peasant issue Engles totally revised their earlier joint viewpoint...

I. Pozsgay: ...or had a totally different view of democracy based on the experiences of the Paris Commune.

I. T. Berend: True. It's obvious that the process of concentration observed by Marx and thought to be a constant characteristic of progress—which is the economic basis of the potentially progressive nature of socially owned property—has proved to be partially true in the 20th century. At the same time it has also been discovered that small-scale production is capable of reproducing itself, especially in the most extensive service sectors of modern economies, to an extent formerly thought to be inconceivable. Thus, the role of private activity is different today than could have been anticipated 100 years ago.

Although here we both are arguing for a concept of socialism which is without any bias we are well aware that in every part of the globe there exists a more or less similar, and let's admit it, dogmatic conception of socialism canonized in the era of Stalin which our friends and enemies alike call us to account for. In my view, therefore, this present-day confusion over values is itself also a value, an important one at that. It is not a comfortable situation; self-confidence would be a better feeling, but it is nevertheless a great value because it shows that political and social conditions have developed to a point where we dare to face reality. The old value system will not endure a confrontation with reality and its constituent elements require a new interpretation. This is true of the values perhaps most thought to be socialist: the principle of equality and also the security of livelihood. We tried to accomplish these on the level of poverty which led to failure, and now we must retreat.

[Question] Is it not unfortunate to call this a retreat? After all, this makes our present steps appear as a compromise of our principles and not that the earlier principles were mistaken.

I. Pozsgay: We have to back out of a dead end street and find a new road.

I. T. Berend: There truly is a need for a new intellectual beginning; one that is not divorced from Marxist principles but which also confronts them with the facts of reality since it is not possible to give scientifically valid answers to today's questions with thinking that is a 100 years old. We are now confronting the ideology developed in the thirties which forged virtue out of necessities, and this is the true significance of the processes attendant with the current confusion over values.

I. Huszar: The majority of the theses called socialist values were not in harmony with marxism, and, in this context, I consider the slogan "back to Marx" to be important. For example, we think of fixed consumer prices as a value whereas it conflicts with the theory of the value of work. But I could also mention in one connection the planning directives by which we have transformed people into mere implementors—while marxism proclaims a more active social role for the citizenry than ever before. Early socialism perhaps caused the greatest harm with this.

I. Pozsgay: And what is closely linked to this and voluntarism and with that belief is that the best possible way to direct society and the economy is through a single central point and that basically things are a matter of the exertion of willpower. The extent to which we still carry the burden of voluntarism today is well illustrated by the formulations of the past years announcing that "we are over the worst of it" and which confuse desires with facts.

[Question] A large part of the traditional socialist values conform to a vision of a non-commodity producing society. Is not the root of the contradiction between reality and ideology contained in this?

I. Huszar: This is true; this is precisely why I am pleased that it is an already generally accepted view today that socialist society is a commodity producing society as it was one even when we denied it.

[Question] But it's as though we are unwilling to draw the necessary conclusion from this. After all, Stalin had already acknowledged the existence of socialist commodity production in 1952 ...

I. Huszar: However, he explained this by the continued existence of two types of property—the logical socialist state property and illogical socialist cooperative property.

[Question] Yes, and ever since then the erosion of the traditional socialist world view continues, making newer and newer concessions to reality. Instead of this ideological defensive should we not instead strive for an offensive, an outline of a new, consistent picture of socialism reflecting reality?

I. Huszar: I agree. We did not deduce with suitable penetration the conclusions from the immanently commodity producing character of socialism. Thus, for example, the theory is at the point today—and this is already post-Stalinist ideological dogma—that our economic management system is based on the organic unity of the plan and the market. Whereas, these two categories are not equivalent; planning may not disregard the commodity producing character of the economy because it will in some way—in the form of poor quality, inventory stagnation, hidden price increases, foreign trade deficit, etc.—manifest itself even under conditions of a plan directed system.

Naturally, the conformity of commodity production to rules does not automatically reveal a social strategy. The political sphere develops this by taking into account a given ideological foundation and through the appropriate integration of interests taking into account the reality of the economic-social situation. Thus, in this conception politics also does not disappear; however, its role is modified. A truly realistic economic program must be formulated; however, it may not assume the operative direction of the processes.

I. T. Berend: The relation of commodity production and planning had already been heatedly raised in the debates in the Soviet Union in the twenties when Bukharin, in confrontation with the "left-wing opposition" Preobrazhensky—one of the intellectual fathers of forced industrialization and the plan directive method—represented the view that planning may not be an arbitrary intervention in economic processes. However, the Stalinist political leadership at the turn of the decade in the twenties and thirties finally decided in favor of the previously rejected notion of the "left-wing opposition".

I. Pozsgay: The present economic difficulties and reform efforts of the socialist countries indicate the waning of this conception. In this sense, I do not see the cause of the problems of the present-day low productivity of the Hungarian economy which still has been unable to solve its serious difficulties to be economic in origin. The pressures outside of the economy must be revealed, that is, averted—those originating in the political structure and the ideological sphere. The sudden halting of the reform introduced 20 years ago and the continued rearrangements occurring in the economic sphere are unexplainable without the inclusion of the interest assertion capability of various organizations, that is, the political sphere. It is not primarily personal errors but rather—and what is worse—errors in the social and economic operational mechanism that led to the present situation.

I. Huszar: I sympathize with this train of thought, however, I would like not to absolve the economic sphere quite so much. The organizations charged with making economic decisions have more than once disregarded basic technical considerations. Moreover, we also do not expect that political-ideological changes will solve our problems in one fell swoop; the economic difficulties of structural reorganization are extremely great.

I.T. Berend: Actually, the point of the question was whether a new ideology will develop to replace the defensive, explanatory one. According to some it will not, and their reasoning for this is that, among other things, the social sciences do not provide enough ammunition for this. I do not think this a realistic evaluation. In my opinion, such an ideology is being developed because I consider the critical evaluation that is currently in progress to be just that. As we confront the ideological system developed in the Stalinist era—and this is increasingly what we are doing and today we are even analyzing its theses affecting the political institutional system—we are carrying out a creative destruction since this is the basis of ideological renewal.

Not only critical analyses are proceeding alongside this. Numerous new realizations have occurred, for example, in the subject areas of property, social structure, and the operational system of politics. The situation is complicated in that the new elements which are desired to be utilized often appear to be very old. An example of this is the corporation.

I. Pozsgay: Or in politics, the constitutional state.

I. T. Berend: Yes. And in connection with this the charge is immediately made that at issue is the quiet return to capitalism. Jokes such as "socialism is the roughest road leading from capitalism to capitalism" appear. Whereas, the nature of the elements depends on the system as a whole, that is, there is no question that we would restore capitalism.

I. Huszar: In 1984-85 during the course of the debate over the guidance directives of the 13th congress I attended the deliberations of numerous scientific forums, and there was agreement with the opinion that science contributed far more to the table of politics than is reflected by the guidance principles.

I. Pozsgay: And all marxisms are worth only as much as they synthesize from the science of their age.

I. Huszar: I believe that the positions taken by the political bodies on the ideological issue will have a incentive effect on thinking, but it is not possible to create a new ideology by decrees.

[Question] Are you not worried that ideological rigidity will again set in instead of the expected ideological renewal? After all, the economic worries are great and the need for channeling off social tensions lies in the search for a scapegoat, welfare demagoguery and the promise of creating order, that is, in the myopic, but short term it could lead politics in a more comfortable direction.

I. Pozsgay: Without a totally frank situation report and disclosure of the contradictions of our historical road the forces interested in re-establishment—who have a disinterest in reform—will remain strong. This is why I think it is very important that the slogan of openness also be achieved in practice. For that matter, the international situation is also not favorable to a "leftist" turn now.

I. Huszar: I think that the present social situation holds great dangers. There has never been as great a need for social support for reform than today; at the same time, the concrete steps decreasing the standard of living could shrink this base of support.

I. Pozsgay: Therefore, reform in the political sphere is also indispensable. If we remain only in the economic sphere then the impossibility of reform will continue. The people must be told that the reform will be the instrument which will change, in a perceptible way, those circumstances which have led us to this point. If we are unable to promise this, and only politics could make this promise, then there will be no reform.

### Sociologist Blames System for Social Malaise, Ill Health

25000051 Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Nov 87 pp 62-63

[Interview with Agnes Losonczi, Department Head at the Hungarian Academy of Sciences Sociological Research Institute, by Tibor Papp: "The Formulated Picture Is Frustratingly False; A Sociologist Answers"]

[Text] During the past two decades the life expectancy after birth has decreased by almost one year in Hungary—while it has increased by 3 and a 1/2 years in Europe. Could it be that only the unhealthy lifestyle which is mentioned ad nauseam is responsible for the sad facts? We asked Agnes Losonczi (59 years old), department head of the Sociological Research Institute of the Hungarian Academy of Sciences what role the social background plays in the deterioration of our health?

[Question] We are again a "sinful nation": "we consume more than we produce," "we drink and smoke excessively," "we stubbornly cling to our irrational eating habits," and "we hardly exercise." From the barrage of rebuke heard day after day it seems that only our indolence and pleasure-seeking is responsible for the deterioration of our health. Does the professional researcher also agree with this?

[Answer] The formulated picture is frustratingly false and one-sided. It does not mention those social attributes which play a role in the deterioration of health, general alcoholism, unfavorable mortality rates, and, increasingly, suicides. It does not address the deeper causes of the phenomena visible on the surface. It makes the individual the scapegoat, and even foists on him the responsibility for what he is suffering from. It seems that social memory is deteriorating: left-wing movements have always identified the existing social order as the main cause of, for example, alcoholism, and our empirical research has fairly unambiguously proven that social conditions continue to play a significant role in illnesses. The individual is a social and physical being not defined merely by biological attributes but also by social conditions of existence. The state of our health is affected not only by bacteria, poisons, or organic injuries but also by social influences.

During the course of the social transformation in the past few years a burden exceeding the normal capacity of endurance has weighed down on the populace, and the physical-psychological adaptation to this was not eased by either the social protection systems or by the institutional systems specialized in this. However, it is not possible to endure the disrupted balance between social burdens and social protection for a prolonged time. Since there are no alternatives, only the simplest pleasure-seeking or tension-alleviating modes remain. Alcoholism, smoking, and gluttony are suitable for temporarily creating an equilibrium, and they are simultaneously harmful. However, this realization is hardly sufficient because if someone gives in to the increasing pressure and still gives up their addictions the problems precipitating them still remain unchanged, and then even

the relative equilibrium attainable through them is lost. The trouble is that the paths to self-destruction are more easily traversible, the path of self-improvement more restricted, and especially that the so-called constructive compensations have been closed off to the groups most at risk.

[Question] We already have sufficient information about our own self-destructive fallibilities. Would you list those factors beside personal weakness—without wishing to absolve it—that you consider to be the most important sources of risk in Hungary today?

[Answer] It may be argued that overburdening and exhaustion play the most important roles in the development of illness in Hungary today. To earn a living one must work long and very hard—primarily because of the low level of wages. A weekend of work or a short vacation is unable to relieve the accumulated exertions of everyday life. An agitated state of life without relaxation has become the norm. The maintenance and intensification of the pace has already been transformed into an internal necessity. These burdens are made far less bearable especially because of the attendant failure despite much work and the feeling that struggle is futile.

Poverty truly harms health. In Hungary one-tenth of the population struggles with concerns over basic subsistence; 20-25 percent must occasionally endure the lack of basic necessities. According to our research, 39 percent of those in the lowest economic group in the 31 to 40 years old age group are ill, while only 19 percent of those better off are ill. Presumably, in Hungary material resources and acquisition have also received so much emphasis in this area—beyond the experience of poverty and the attraction of the consumer society—because of the historically endured uncertainty and in the world of changing values many find some security in this. We need only to recall the frequent changes in economic conditions over the last few decades, the shortcomings of the legal system, the disparity between the principles of incentive and actuality: obviously, all this is responsible for the formation of much illness.

Let us examine, for example, the generation which is almost 50 years old and which is considered most at risk and whose mortality statistics show a most unfavorable picture. They drink, smoke, and work a lot—the causes are listed; but there is not one word about what they had lived through, what they saw during the course of history. At the time of their birth private property, the nation, religion, and the family were the four most important social values. Then everything changed radically. Private property was replaced by the social ownership of property, internationalism replaced nationalism, religion was replaced by atheism, and the family was contrapositioned to the community. In the 1960's the family once again comes into the foreground and, to some extent, even the nation. In the 1970's the, twice-judged private property appears and then becomes an incentive force. However, we must still mention other important factors in addition to this, such as, the two extremes of housing

settlement harms: the more difficult living conditions and worse provisioning in the village and the industrial hazards in the towns and large cities.

[Question] I would think that many feel the picture you paint is overly dark saying that the changes and trends that have occurred are not "system specific" but instead are the concomitants of development throughout the world—although it is true that they increasingly viewed as avoidable. The question rather is how prepared, how informed, and especially how adaptable is the health care system which encounters on a daily basis the types of problems that finally may not be swept under the carpet, various illnesses and low mortality statistics?

[Answer] The health care system is operating on a shrinking financial base and improper structure in countering the mentioned problems. I presently see its weakest point—beyond scarcity and the system of shortcomings—as the inability of finding a solution for prevention and basic care. Unfortunately, at the time when distress signals should have been sounded—and while there still was a better financial situation there could have been a chance of overhauling the health care and insurance system—victory declarations instead obscured both the deterioration of the nation's health and the poor state of health care. But now, when the need for change has reached a point where it may no longer be postponed the economic and human credit has been exhausted, the internal problems have solidified into the structure, and the health care institutional system has been complicated into an impaired and contradictory mass. And the tensions are now further intensifying with the burdening of the citizens' wallets.

In my opinion, the government's health protection program could only expect more success than the usual campaigns if it will be able to initiate change on the most crucial points which I too have criticized and if does not get arrested at a point of foisting all responsibility for the operational disturbances of society onto the individual. If the health care system continues to do no better than the reasoning system of its stagnant propaganda which had been manipulative, confusing and falsely "informative" even until now and can again only cite individual responsibility then the situation will remain as it was: we punish the victim. Even for a partial success, it would be necessary to totally restructure health care at least to the extent where the social protection it affords is capable of contributing to the counter-balancing of the growing social burdens. The elimination of our lack of education and deficiencies in our in the degree of our care could hardly be expected to occur from some change in tone of propaganda—for that not only our health care system must change but also the fundamental elements of the conditions of social existence.

09956

## POLAND

### Restructuring as Basis for Soviet-Polish Trade Agreements

26000091a Rzeszow NOWINY in Polish 19 Oct 87 p 3

[Interview with Mieczyslaw Pszczolkowski, plenipotentiary to Director of the Stalowa Wola Iron and Steel Combine, by Anna Koniicka: "Riding a Hobbyhorse"]

[Text] [Question] A firm in which nearly 25,000 employees derive their living from exports must coddle its foreign customers, especially the biggest ones.

[Answer] All customers are equally important to us, because it is never known when the smaller and seemingly not very attractive ones may start something new. New markets are hard to conquer, but I agree with you that one feels a kind of sentiment toward permanent longtime customers.

[Question] It is said that there is no room for sentiments in business.

[Answer] That is why I said, "a kind of sentiment."

[Question] The biggest customer of Stalowa Wola Iron and Steel Plant is the Soviet Union, which buys two-thirds of its output. Could you describe what kind of partner it is?

[Answer] A difficult one.

[Question] Could you enlarge on this answer?

[Answer] By difficult I mean demanding. But that is good, because this forces us to work without respite, to commit our entire potential, from the designer to the blue-collar worker. This means production discipline and progress, which are indispensable not only with respect to contacts with the Soviet Union.

[Question] Usually when cooperation between your plant and the Soviet Union is discussed, the discussion begins and ends with loaders.

[Answer] A little correction: that is what reporters say. Our contacts do not end with this, although admittedly we are selling a large number of loaders—1,100 this year.

[Question] By now 6,000 Stalowa Wola loaders are operating in the Soviet Union, yet more are still needed, aren't they?

[Answer] Actually nearly 7,000 and, upon the request of the Soviet side, we increased this year's shipments by 300 units. The Soviet market is very capacious; it still continues to be one big construction site. Besides, owing to the diversity of its accessories, the loader is used not only in construction. This accounts for its popularity.

[Question] You unwittingly created an advertisement for the plant.

[Answer] I assure you that this product needs no advertising; we have been selling it to the Soviet partner for the 11th year in a row.

[Question] What are the prospects for the subsequent years?

[Answer] Intensification of production—there is no other way. Our customer needs 6,000 loaders a year. Of course at the moment we cannot provide that many, but we intend to expand our output.

[Question] Ah so, you see, we too are discussing loaders alone. What a magical topic....

[Answer] Then perhaps let's talk of perestroika instead.

[Question] And of its influence on bilateral contacts?

[Answer] A very good influence. Let me exemplify this by the cooperation between our combine and the Minsk DROMASH Science-Production Association and the Orel DORMASHINA Production Association. To be sure, already as far back as 20 years ago we undertook to manufacture for these customers gearboxes for the loaders being produced in the Soviet Union, but until recently all negotiations had first to be held at the ministerial level. This prolonged and often complicated the road. Now we negotiate directly, without intermediaries, and the effects are more tangible. Our customer is tightening his requirements, and hence a rapid modernization of the gearboxes is problem number one. We undertook that modernization, and in addition, we resolved to develop a totally new generation of gearboxes. This is a complex problem, because the new gearboxes must be accommodated within the same housings that we traditionally import and moreover we do not want our innovation to cause complications to our coproducer. We had to detach and assign for this purpose a large number of designers and workers (for building prototypes) and research personnel. It is no small art to work out a gearbox version that would be compatible with the various types of loaders produced by the Soviet industry.

[Question] Very well, but of what benefit, aside from additional problems and more work, is this project to your plant?

[Answer] To us the principal advantage is the possibility of producing longer series of gearboxes and hence also reducing production cost. This also means permanent longterm employment for a large group of workers. Moreover, owing to the new possibility of direct negotiations with other combines our task is facilitated. The Minsk DROMASH acts as the leading association of all

our gearbox customers in the Soviet Union, and it will receive all their comments and recommendations, scan them, and determine the priorities, while our task will be to meet the requirements.

[Question] What stage has been reached by the work to modernize gearboxes and develop their new generation?

[Answer] On 19 October we will be visited by a team of Soviet experts and then we shall discuss the finished concept in detail. Let us hope that the acceptance of that concept will finalize the matter quickly.

[Question] Will it be something in the nature of an examination for a promotion?

[Answer] Indeed so.

[Question] Does the agreement concluded between the two combines transcend purely technical matters?

[Answer] In measure with a favorable unfolding of the situation, we are thinking of cooperating in the future in the so-called social plane—exchanging vacations, or initiating cultural or sports exchanges. But that is in the long run. Both combines are only tuning their violins, so to speak. Formally, the cooperation agreement is binding until 1990, but it is subject to automatic extension, unless either party terminates it; this last hardly seems likely, though. On the contrary....

[Question] Quite recently your plant has also established contacts with Bielorrussia.

[Answer] Last September we signed another contract for cooperation, this time with the Bielorrussian SSR Research-and-Production Association of the Powder Metallurgical Industry. We refer to it in short as the Institute of Powder Metallurgy. This is another contribution to perestroika. The head of that institute is an unusual human being with a well-rounded mind, Professor Roman. It was Professor Roman, who had long been in contact with people from our combine and who resolved upon an unconventional venture and one that also points to courage in taking unorthodox decisions. Even before we signed the official papers for cooperation, the Professor initiated an exchange of components manufactured by them and by us, with the related accounts to be settled after the signing of the contract.

[Question] Could you tell us in some detail about the subject matter of the contract itself, because till now all this has been sounding very mysterious.

[Answer] Essentially it once again concerns gearboxes, and specifically one gearbox component, the clutch plate, which comes with a steel friction disk, the friction material being represented by steel-based sintered powders. Until now the disks have been supplied to us by Trzebinia, but in such small quantities that we have to complement them with imports from Payments Area 2

["capitalist" countries]. Now these missing quantities will be supplied to us by the Bielorrussian institute. To us this is an evident advantage, and one measurable in dollars at that, while to the Soviet partner this is a chance to expand his output. I must admit that we especially prize this contact.

[Question] To conclude let me ask you a somewhat awkward question: does this mutual cooperation engender only reasons for satisfaction, without any problems or frustrations? In addition, I noticed that you seem envious, as it were, when discussing manifestations of perestroika at our neighbor's.

[Answer] One feels frustrated, to put it mildly, when a desirable contract cannot be concluded owing to barriers, let us call them institutional barriers. For example, I can sell construction machinery in large quantities to ore mines which in return pay me with molybdenum. I do need molybdenum, but in small quantities.

[Question] Well then, you could sell the surplus molybdenum to another iron and steel plant that needs it in large quantities.

[Answer] That is the rub: I cannot, because I need hard currencies, which a fellow steel plant lacks. So, pained as I feel, I have to refrain from a logical transaction. At the same time, I cannot afford to hoard molybdenum—that costs money too. I live in the reform era, yet I have to manage as before.

[Question] In the light of the recent government decisions and the 43rd Session of CEMA it looks like these barriers will steadily diminish in number. Thank you for the interview.

1386

### **Polish-Soviet Philosophy Conference on Restructuring**

*26000062c Warsaw TRYBUNA LUDU in Polish  
23 Oct 87 p 2*

[Text] On Thursday, 22 October, in the Senate Hall of Warsaw University, a 4-day Polish-Soviet Conference began. Its theme was "New Thinking and New Action. The Philosophy of the October Revolution—'Perestroika' and Rebirth." It was arranged by the editors of the Polish periodical DIALECTICS AND HUMANISM and the Philosophy of Peace Program committee. A 10-person delegation of Soviet philosophers is led by the editor-in-chief of VOPROSY FILOSOFII, Prof Dr W. Semyonov.

The conference, organized on the occasion of the approaching 70th anniversary of the October Revolution, is devoted mainly to problems of new thinking and new action. The historical and philosophical premises of

"perestroika" and the rebirth of socialism were discussed on the first day. The Warsaw conference assembled the leading representatives of the philosophical sciences of both countries.

9295

### **Torun Discussion on Soviet Restructuring, Foreign Policy**

*26000064b Warsaw TRYBUNA LUDU in Polish  
22 Oct 87 p 2*

[Text] Transformations in the functioning of the party and the Soviet state, the development of social sciences, problems in USSR foreign policy, and changes in social awareness in the Soviet nations—these were the main topics in the popular science session which inaugurated ideological training in Torun voivodship on 21 October.

9295

### **Reform Necessitates New, Updated Legislation**

*26000062b Warsaw RZECZPOSPOLITA in Polish  
23 Oct 87 p 8*

[Article by Dr Ryszard Tupin: "How To Reconstruct the State's Legal System"]

[Text] The implementation plans on reforming the economy, presented in the prime minister's speech on 10 October, envisage far-reaching changes both as regards ownership relations and management of the national economy. They open up a wide field for organizational enterprise and converting the economy to a market one. A series of articles by Dr Ryszard Tupin is devoted to the problem of changes in the legal system in connection with this.

The implementation program presented contains 168 tasks, implementation of which during 1987-1990 should bring about basic changes in the functioning of the economy and in the organization of the state administration. One of the important principles in the second stage of reform is the separation of the administrative sphere from the economic sphere, i.e., discontinuance of administrative interference in economic processes, except for those clearly reserved by law, and ensuring freedom to undertake economic activity.

These are decisions of historical significance. They also assign responsible tasks to lawyers and the law, which has been and is an important instrument in paving the road of reform. They define new rules of management and ensure that they will be enforced. This instrument can and should be used also in the implementation of the second stage of reform. But it is important that these changes be of a planned nature and ensure reconstruction of the legal system in accordance with the economic model being implemented.

The legal system now in effect in our state was established in the 1960s and 1970s—during the period of central management and administrative state control over economic activity. True, the codes established during that period are not an obstacle to the application of economic reform and with certain limitations can also be used under the new conditions. But it must be admitted that they no longer correspond with requirements (e.g., there is no point in looking in the 1964 civil code for standards which clearly proclaim the freedom to enter into contracts, although such a principle can be deduced via interpretation). It is the same with the case of the 1974 labor code. Nor does the 1934 trade code meet the present requirement of turnovers. And yet these three codes form the foundation of the economic system.

Also, the latest law, established under the specific conditions of 1981-1986, does not conform with the economic model which evolves in the light of the decisions of the PZPR CC Fifth Plenum and the implementation program submitted by the government. According to the opinion of the Legislative Council, a two-tier system of standardization acts arose during that period. The first tier covers regulations thought to be binding for a long period of time, embodying decisions corresponding to the assumptions of economic reform. The second tier are immediate solutions corresponding in many cases to the central-directive systems of management.

It should not be very difficult to dispose of the central-directive solutions, although sometimes there may be controversy in view of the lack of uniformity of views on basic matters. For example, the legal position of the director of a state enterprise. As of 1983 he has been made dependent on the parent organ, which specifies how much he is to be paid and makes decisions relating to his labor relations (art 34, par 1, of the law on state enterprises). This was an attempt to return to the concept of a director as an organ of state administration, who "in confrontation" with self-management manages the state enterprise. Yet under the Polish economic model, it would be most appropriate to turn to the workers' collective as the boss of the enterprise and at the same time the trustee of the society-wide interest. True, the implementation program perceives the need to closely relate the goals of the director's activities with the goals of the enterprise and the workforce represented by the workers' council (these two organs cannot be set controversially against each other), but draws no consistent conclusions from this, aside from the rightful demand that the director's salary be more closely tied to the enterprise's financial statement.

A large part of the legal statutes which are incompatible with the logic of the second stage of reform are substitutes, but as appears from the above, certain statutory decisions should also be reviewed.

A much more difficult task will be that of reconstructing the legal system in the first tier, corresponding to the directions of economic reform, formulated in 1981,

which should now be regarded as being inadequate. (For example, as regards the regulating role of the market, property relationships, the legal status of local self-management.) Reconstruction of the legal system in this field can only be done through long-range legislative work, taking into account the requirements of the system and the courses of political changes. This cannot be done by way of emergency amendments. In large part, the government's already greatly advanced draft program of legislative work for 1987-1990 more than fulfills the above requirements. This program places main emphasis on codifying or recodifying the basic branches of law (civil, labor, social security, maritime and penal) and reviewing ministerial legal statutes. At present the draft of this plan requires further work in view of the implementation program. Anticipating a decision on the draft plan for the legislative work, the prime minister already last year appointed a Civil Law Reform Commission and a Penal Law Reform Commission. The work of the former is already quite advanced and the first legislative drafts are already appearing, in accord with the spirit of economic reform. The next urgent task will be to appoint a Labor Law Reform Commission and a Maritime Law Reform Commission. Every month's delay results in a two-fold loss: first, it delays the deadline for preparing the final drafts (codes), and second, it risks the preparation of systems-inconsistent standardization acts, dictated by the urgency to make model changes in the economy.

9295

**Polish, Soviet Youth Exchange Views on Reform, Other Issues**

*26000064e Warsaw RZECZPOSPOLITA in Polish  
22 Oct 87 p 2*

[Text] The participation of young people in economic reform, economics education, and workers' self-management, and an exchange of experience in the activities of youth organizations—these were the main subjects of discussion at a seminar in Olesnica (Wroclaw voivodship), in which activists in Polish socialist youth and student unions and Leninist Komsomols took part.

On 21 October the seminar participants met with representatives of Wroclaw youth circles in the Polar factories and in the "Little Palace" Student Cultural Center.

9295

**CPSU CC Delegation Visits PZPR Academy**  
*26000064d Warsaw RZECZPOSPOLITA in Polish  
22 Oct 87 p 2*

[Text] A delegation from the Academy of Social Sciences of the CPSU CC, headed by assistant rector A. Korolov, in Poland at the invitation of the Academy of Social Sciences in Warsaw, concluded its visit on 21 October.

The guests familiarized themselves with the assignments and structure of the Academy and exchanged views on the party's current tasks in the "perestroika" process in the USSR and the implementation of the second stage of reform in Poland. An examination was also made of the scope of cooperation between Soviet party teaching institutions and the Warsaw Academy of Social Sciences and its branches in Bydgoszcz and Katowice.

The delegation members also held talks in the PZPR CC Organization Department and met with the head of this department, S. Gabrielski. They were received by H. Bednarski, PZPR CC secretary.

9295

**PZPR Academy Hosts Bloc Meeting on 'Prospects' of Socialist Development**

26000064a Warsaw TRYBUNA LUDU in Polish  
22 Oct 87 p 3

[Text] The expressions "socialist enterprise," "socialist upbringing," and "socialist interrelationships," are wishful thinking and not a reflection of the existing reality. The interim period in which we find ourselves is not yet socialism. That is why we must clearly admit to ourselves which problems we have already solved and which still remain to be solved.

It is with those statements, contained in the opening paper read by Prof Jozef Baran, director of the Academy of Social Sciences Scientific Institute of Socialism and Party Theory, that, as we reported, the 3-day conference on the "Prospects of Socialist Development in Poland—in Light of the Program Accepted by the PZPR 10th Congress," began on 20 October. Scholars from the Academy of Social Sciences and Marxist-Leninist institutes in Czechoslovakia, the GDR, Hungary and the USSR are attending. Together with Polish scientists, they are examining the status and prospects of socialist development in the fraternal countries.

On the first day of the meeting, the Polish conferees presented several topics relating to an analysis of the situation in Poland. Prof E. Erazmus spoke of the evolution of the concept of party guidance in social processes in Poland; Prof J. Godlewski talked about the relationship of the party to religion and the Church; Dr A. Makarczuk discussed the class-strata structure of our society; Docent S. Dziabala talked about class alliances and compromises in socialism; and Docent W. Ratynski talked about party and class domination in socialism.

The conference was inaugurated by a special report being prepared by the Scientific Institute of Socialism and Party Theory on the subject of the the present and future status of the development of socialism in Poland.

9295

**Bialystok PZPR Hosts Discussion on Gomulka**

26000064f Warsaw RZECZPOSPOLITA in Polish  
22 Oct 87 p 2

[Text] The political life and activities of Wladyslaw Gomulka were the subject of a popular-science session which took place on 21 October in the PZPR voivodship committee in Bialystok. His bust, donated by Bialystok party members, was unveiled at the square where Elementary School No 36, named Wladyslaw Gomulka, is located.

9295

**Speech at Sixth Plenum by Gen Div Szacilo, Army Political Administration Chief**

26000099 Warsaw ZOLNIERZ WOLNOSCI in Polish  
26 Nov 87 p 4

[Text] Comrade First Secretary of the PZPR CC and Fellow Comrades!

In the reform and renewal activities of the party as the line of strategy of the Ninth and Tenth Congresses, the Sixth Plenum occupies a special place. There are several characteristics which distinguish it. First, this is a comprehensive approach to reform, covering both the base as well as the superstructure; second, this is radicalism, consistency and the depth of restructuring, which does not stop at half-measures; third, this is a methodological and theoretical boldness, and at the same time it is planned specificity and realism. It may be said, therefore, that the Sixth Plenum is not an ordinary episode on the road to the implementation of the Tenth Congress resolution, but it is an opening to a qualitatively new stage. Nevertheless, our reform program still does not have the unequivocal support of the public. There are various reasons for this.

How can public support for reform be increased?

There are two principal ways. First, through patient explaining of all matters and public doubts and through profound changes in people's awareness. A reform in people's attitudes is also indispensable. Second, by showing that management has been made more efficient and that public life is more dignified. This will most effectively authenticate the substance of reform and gain increasingly greater support for it. We are aware of how difficult and often acute problems arise in various socio-occupational circles as we come out of the crisis. But it is important that this awareness act to stimulate activity and not impede movement and boldness of thought. In undertaking the work of reform, the party assumes great responsibility. The Politburo paper points to problems which must be solved and defines the courses of party and social activity. We realize that the paper may contain more evaluations and proposals which require discussion and further work with consideration to different social determinants and our needs. But generally they are correct, interesting and innovative. The military

members of the Central Committee fully support the courses of action proposed in the paper. Knowing the attitudes and the situation in the army, I want to say that they will also give such support in the practical action with their political and intellectual potential. Insofar as the tasks ensuing from the second stage of economic reform as related to the army forces are concerned, we see them in the following planes:

First: Propaganda training, in which we see to it that all soldiers and military personnel and above all the professional cadre, thoroughly understand the significance, substance and direction of the developmental transformations.

Second: Cooperation of the army with management elements and the state administration in executing the tasks of the second stage of economic reform.

Third: Safeguarding the country's defense in a reformed economy and state administration.

Fourth: Continuing to improve the efficiency of military management in all of its fields.

Fifth: Continuing to enhance the processes of democratization and improving life in the military taking into account new social tendencies and the assignments and needs of the armed forces.

I would like to take up some of these matters in my speech.

Comrades!

The workers' party was born from a revolutionary deed. Deeds will also certify as to our reliability. That is the best test of party attitude today.

We made this the paramount principle in the party and service activity conducted in the army. In the leadership organs of the armed forces we are basically finalizing the review of organizations and job certifications, as recommended in the party's Tenth Congress resolution. We regard job certification to be an appropriate method of improving the efficiency of the organizational structure in the armed forces and their service and production areas.

We have been applying this method periodically for several years and we are now doing it on a wider scale. It will greatly improve work efficiency and at the same time lead to significant savings in staff positions. But we continue to feel that this matter cannot be settled with a single deed. Job certification and organizational review must be an ongoing task.

Certification concerns improvements in the organizational structure of aspects of military life. Its quality is determined by the whole-hearted espousal of an ideology, training and discipline, and democratic internal relations.

The Central Committee Sixth Plenum brings ideas which are conducive to greater democratization of socio-political life. It also inspires us to make life in the armed forces more democratic, which makes one-man command wiser and more efficient. For years, collegial bodies—councils and groups—have been functioning at various levels of command. The opinion of the public and the party carries weight in the decisions that are made. We consistently strive to increase the participation of party groups and the committee first secretaries in the decision processes. We try to ensure that rank-and-file party members, as well as those who are unaffiliated, can express their position on service and public matters. To do this we create the conditions necessary to stimulate the activity of social organizations and institutions functioning in all units. In particular, the social control groups, which are a military form of IRCh, as well as community councils and special commissions, have achieved recognition and authority. Social sciences in the military, in cooperation with civilian scientific circles, conduct work aimed at developing effective methods for upbringing youth. We perceive democratization of social relations in the military as a requirement of the times and a condition for raising the personal responsibility of the soldiers for the fate of the country and its defense capability. Such an approach to the matter gives lie to all of those who through ignorance or political malice try to prove that under army conditions democracy, creative thinking and human objectivity, are not possible—that requirements of discipline negate these values. The processes of the democratization of military life are an abiding element which stems from tradition and socialist ideological and political principles. The Sixth Plenum, in our opinion, will give these processes new life.

Comrades!

Our determination and the boldness of the party's reform intentions is not liked by everyone. We realize that there are persons, groups and forces inside the country and outside its borders who would like to see Poland stagnant and internally divided. The success of the reforms, an economy in order, and national conciliation would mean a defeat for them, because they deprive them of the last arguments on the unreformability of socialism.

The breadth of these forces is wide. Their representatives dress in different costumes, often drawn from the property rooms of history. They don various masks and proclaim all kinds of slogans, attempting to make the public hear them and react to them. One goal unites them—hatred of our political system and the socialist state and its institutions, including the army.

In our ideological training work in the army, we consistently reveal the political nature of these forces and fight them with all of the means available to us.

The antisocialist forces also include some of our own people—not many, but quite loud—the so-called pacifists. They bear no relationship to the honest people who treat the problems of peace and human rights seriously. The Politburo paper opens up a whole new field for them. We, in the army, are by nature very sensitive to the pseudopacifistic adventurism of some opposition groups which strike at the military service obligation, the country's defense capability and its security. Their anti-socialist obduracy makes them completely unrealistic politically. They are not even able to maintain a semblance of an equal opposition distance in regard to the military policy of the NATO circles. They are not interested in the military legislation of the western countries. They do not come out in defense of the citizens of these countries who are imprisoned for refusing to serve in the army. (To tell the truth, one of them tried to do so, but quickly gave up when he was invited to a meeting in one of the western embassies accredited in Warsaw.) NATO weapons or Pershing missiles aimed at Poland do not worry them. The revisionist stance of the Bundeswehr towards us is not a threat to them. However, the constitutional duty of serving in the Polish Army keeps them awake at night. It would be too great a pacifistic luxury for them to not only support, but even to take some kind of position on the Soviet Union's disarmament proposal or our "General Jaruzelski Plan," so known throughout the world.

We will continue to unmask the bearers of these antipatriotic slogans as people who have nothing in common with the struggle for peace, with our traditions, with our Polish reason of state.

It is in the Politburo paper that we find the thought which is of very vital significance to the party's activities and the army. It says that today's patriotism expresses itself in a respect for the Polish reason of state. Both of these concepts: "patriotism" and "Polish raison d'etat" are deceitfully misused by the so-called freedom opposition and the ideological diversion. Using these slogans they try to sneak in ideas which are in conflict with our historical experience and today's realities. The dispute about the Polish raison d'etat is, as a matter of fact, a dispute about the understanding and interpretation of the paramount interests of the nation and the State. There can be no doubt that the country's security and the inviolability of its borders relates to them. This is the litmus test which reveals the real value of all kinds of political intentions and guarantees. All actions striking at the security of the state are in conflict with the Polish reason of state, regardless of the pseudopatriotic phraseology in which they can be couched. The connection of patriotism with recognition of the raison d'etat of one's own country is indisputable.

Therefore, the statement in the paper that "the so-interpreted patriotism should be the primary upbringing goal of the school and community organizations, the brigade member and the director, the family and the church," is correct. And above all, it is the duty of the party. We believe that it is also the primary duty of the army. The entire upbringing system of the armed forces serves this goal. It is in this direction that we will cooperate with the school and with the state institutions and public organizations. We will also undertake some other political and legal initiatives which enhance our work, and at the same time limit the political opponents field of action in this regard. We will consistently participate in accomplishing those tasks specified by the National Defense Committee which relate to the patriotic-defense upbringing of youth. In this civic education we will make use next year of the 70th anniversary of the winning back of our independence and the 45th anniversary of the Polish People's Army.

It is the basic duty of every ruling party to create political-system and international guarantees for the security of its country. The guarantee of the security of the Polish People's Republic should appear in the building of a politically and economically strong state, whose defense capability will be augmented and authenticated by our alliance with the Soviet Union and the force of the Warsaw Pact. The building of a strong socialist state, as it is understood today, is one of the goals of our reforms. It is our ambition that the army be one of its strong pillars. We will strengthen all elements of the armed forces according to our capabilities and the degree of threat. We are trying to lessen this threat both through treaty alliances as well as through improvement of relations with western states and active participation in disarmament talks. In accordance with the best interests of the nation, we are in favor of a balanced reduction of weapons which does not weaken the security of either side and reduces the level of confrontation and threat of war. Regardless of the difficulties which might accompany the implementation of this line of strategy, this is the only solution, to which there is no reasonable alternative.

Always having in mind the paramount good of the nation—its independence and abiding security—the Polish People's Army was and is the advocate of the party's reformation actions, which create the country's material and moral power and build its international authority.

Once more the soldiers will prove this by their broad participation in the referendum and support of the party's program.

9295

#### **Sejm Delegation Visits Iraq**

*26000064c Warsaw TRYBUNA LUDU in Polish  
22 Oct 87 p 6*

[Text] Baghdad (PAP)—A delegation from the Polish People's Republic Sejm, led by vice marshal Marek Wieczorek, began its official visit to Iraq on 21 October.

The delegation was received by Sadoon Hamadi, chairman of the Iraq National Assembly and member of the Revolutionary Council. Plenary talks, chaired by the deputy chairman of the Iraq parliament, Baha Aldeam Ahmed, were also initiated. Polish-Iraqi bilateral relations, particularly those between the parliaments of both countries, were reviewed.

9295

**TU Role in Sejm Discussions, Process Supported**  
*26000062a Warsaw ZYCIE WARSZAWY in Polish*  
*22 Oct 87 pp 1, 2*

[Interview with Pawel Szymanski, secretary, Sejm deputies trade union group, by Daniela Sielska]

[Text] [Question] I will ask a rather blunt question: Do we need a special deputies group to present the opinions of the trade unions in the Sejm? After all, there are several union activists who are Sejm deputies.

[Answer] I will answer the question with a question: Is there anything wrong with a trade union movement, the largest social organization in the country, trying to obtain the goodwill of a broader group of deputies for its strivings?

[Question] But in taking part in the work of this group, are not the deputies influenced a bit too much by the opinions of your unions rather than representing the interests of all of their constituents?

[Answer] I believe that acting in the interests of the whole without being familiar with the attitudes, strivings and opinions of different social circles has already led to many mistakes. Furthermore, let us consider how broad and representative the working circles are. I would say that our group consists of deputies who are particularly interested in certain specific social problems.

Sixty-five persons, representing different political casts, have joined our group. Active union members constitute the minority. The work consists mainly of supplying the deputies with information. This is done in various forms, e.g., by inviting them to meetings of the Trade Union Council, at meetings with management, by sending the appropriate materials. And recently the voivodship trade unions are organizing meetings in workplaces and in voivodships. The deputies are also able to take advantage of the assistance of union experts, of the reports made by the Research and Analysis Section, and if necessary, they can themselves recommend that such reports be prepared.

[Question] And how does this help later in the work of the Sejm?

[Answer] I think that then it is easier for the union movement to find understanding, and even support, for its strivings. And after all, these strivings are the result of

consultations and discussions in the workplaces. For example, the unions have tried to get approval for their arguments during discussions on such laws as collective bargaining, the social and housing fund, the organizing and financing of social security, the amending of the law on accommodations. A draft law on the Workers' Vacation Fund was introduced at the Sejm at the initiative of the unions. In developing certain plans, the trade unions, as we know, differed with the government on many points.

[Question] From what you have said, a picture of a group of very active deputies evolves. And yet during the trade union congress your work was severely criticized. How do you explain this?

[Answer] I can give several reasons. First, the mood at the congress was very radical. It was the result of bitterness and impatience with the very slow and inconsistent surmounting of the crisis. The deputies, therefore, also appeared as representatives of the authorities. Second, our group had hardly been formed at that time and we were looking for ways of cooperation. Third, the union activists expected that we would go all the way with our position and felt that compromises were bad. In my opinion, this is a misunderstanding. After all, Sejm decisions are preceded by an examination of many factors. Different circumstances are taken into consideration, as well as conflicts of interests, and the goals defined are those which have in view the good of the citizens and the abilities of the state. Only then can a correct choice be made between what is ideal and what is realistic. It is hard, therefore, not to accept compromises.

It is my belief that our parliament is still too absorbed in legislative work and devotes too little time to exercising control. I understand that this is caused in large part by our plans for reform, but I hope that the time will soon come when we can also follow the progress of what we are putting into effect, what we have decided. I also believe that the people do not know enough of the details of the work done by the deputies. It seems to me that on the whole the deputy does not appear often enough in the hierarchy of the local authority.

[Question] You are a member of the Extraordinary Committee to Investigate Reform of the Central Authorities. In this case, do you also represent the opinions of the trade unions?

[Answer] Detailed solutions relating to the structure of the central authorities are the matter of the Sejm and the government. The union movement is very interested in what function the central authorities will perform in the new systems. We support the idea of reforming the central authorities and are demanding it ourselves. We expect, for example, that the state will cease to interfere in detailed socioeconomic operations and allow the citizens to demonstrate initiative. This will allow the government to develop an effective strategy in problems

that are crucial. The unions are also in favor of radical economic reform and will certainly speak out on how it will be conducted, especially as concerns the policy of incomes and prices.

[Question] And if, as also has been mentioned, sacrifices are necessary?

[Answer] I believe that the working people, the members of the trade unions, would agree to this if they could see a real chance of improvement in the economic situation, in the standard of living, in the not-too-distant future. I think that this course of action is also compatible with the interests of the state.

[Question] I see that the deputy and the unionist are struggling within you. Are there a great many dilemmas connected with the performance of both these functions?

[Answer] I see no reason to set one function against the other. They really are mutually complementary and permit me to perform my duties better. As a citizen I will express my opinion in the referendum and as a deputy I will see to it that the will of the majority is effectively implemented. The Sejm cannot let down its electors. Especially since, as public polls have shown, among other circles of authority it is in first place from the standpoint of trust. This is our greatest satisfaction.

9295

**POLAND**

**Soviet Military Attache Tours Coast, Lectures on Perestroika**

*26000108b Warsaw ZOLNIERZ WOLNOSCI in Polish 8 Dec 87 p 5*

[Text] Capt Georgiy Kaczur, assistant air, land and sea attache at the Soviet Embassy in Warsaw, visited the Central Coast.

The Soviet guest visited the Franciszek Zubrzycki Navy Specialists Training Center (CSSMW) in Ustka where he learned what the Center was doing to prepare seamen for the difficult responsibility of serving on sea and in the Navy's onshore units.

During a meeting with the command and instructor staff and the CSSMW party and youth aktiv, he referred to the historical events of 70 years ago. He described the political and socioeconomic changes taking place in the Soviet Union and discussed the role and task of the party's political apparatus in the USSR armed forces. He showed a documentary film on Soviet landing-troop training and operations.

He also met with the political and administrative leaders of Slupsk Province and visited Korab Shipyard in Ustka, which supplies cutters and launches to the Soviets, to see how they are produced. He also visited Famoral Farm Machinery Factory and Alka Northern Leather Industry Plants in Slupsk.

9295

**Warsaw Garrison Housing Rated 'Especially Difficult'**

*26000108d Warsaw ZOLNIERZ WOLNOSCI in Polish 15 Dec 87 p 5*

[Text] The topics on the agenda of the annual meeting of representatives of the social-welfare commission and the command staff of the Warsaw garrison units, which was held in the Warsaw Polish Army Club "Behind the Iron Gate" on 14 December, were the rating of this year's achievements and the plans for next year as regards improvement of the social-welfare status of the military in the Warsaw garrison.

Despite the fact that the housing situation for the military cadre and employees continues to be very difficult, there is still a possibility that it will be improved in the very near future. Everything indicates that for the first time in many years, plans for housing construction in Warsaw Province this year will be fulfilled. A large boarding school on Hynka St. has been completed. The number of people waiting for housing conditions to improve has shrunk slightly, which is partly due to the criteria for allotment which have been approved. Action is being taken, as Col Ryszard Makolski stated, to obtain new land on which blocks of apartments, housing developments and single buildings (to replace razed buildings) can be built. This includes locations on military land. More housing will be available between 1986-1990 than had originally been expected.

There continues to be great interest in the military community in the allocation of garden plots. Unfortunately, land for growing fruits and vegetables is gradually becoming more distant from the center of Warsaw. This year, the social-welfare commissions divided up plots in Sekocin, whereas in 1988 it will probably be in Izabelin, in Babice Stare gmina.

Difficulties in obtaining land for housing construction means that far fewer garages will be built than are needed. The housing settlement in Rembertow and one on Leszczyna St will be exceptions, with more garages available.

In 1987, Military Trade Center sales-service establishments of the Warsaw branch, recorded a significant rise in sales of automatic washers, spin driers, refrigerators and freezers, suites of furniture, black-and-white and color television sets, and small household appliances. In November alone, sales were almost double those of the same period in 1986. The enormous demand for durable goods was responsible for the disappearance from shop shelves of goods which up to now had been more than plentiful. A return to strict rationing of scarce goods, as was the case a few years ago, is not anticipated. After New Year's, the situation should become stable. The social-welfare commission, therefore, will not have much goods under its control, but what will be available will be particularly desirable.

9295

## HUNGARY

### National Assembly's Role in Economic, Budget Decisions Discussed

25000057 Budapest FIGYELO in Hungarian  
3 Dec 87 pp 3-4

[Roundtable discussion with Jozsef Bogнар, chairman of the National Assembly's Planning and Budget Committee; Rezso Nyers, chairman of the National Assembly's Commerce Committee; and Tamas Sarkozy, head of the Council of Ministers' Secretariat for National Assembly Affairs. Moderator, Gabor Karsai of the FIGYELO staff. First paragraph is FIGYELO introduction]

[Text] The National Assembly will reconvene for its winter session on 16 December. Its agenda will include, among other things, the bills on the 1988 national economic plan and state budget. The guests at our roundtable discussion on the National Assembly's foreseeable response, and on the role that the National Assembly plays in our society, were: Jozsef Bogнар, chairman of the National Assembly's Planning and Budget Committee; Rezso Nyers, chairman of the National Assembly's Commerce Committee; and Tamas Sarkozy, head of the Council of Ministers' Secretariat for National Assembly Affairs. Gabor Karsai of our editorial staff was the moderator.

[Question] The government's budgetary policy is being criticized essentially from two points of view. One view is demanding more subsidies and tax concessions, for various reasons. The other is demanding cuts in budgetary expenditure, and reduction of the budget deficit to a minimum. Experience indicates that the government has been unable to resist a significant proportion of the demands for additional subsidies and has strived to offset them partially through higher taxes, which is again controversial. In your opinion, what is the National Assembly more likely to support: consistent austerity or its relaxation?

J. Bogнар: In the National Assembly there are, naturally, deputies holding widely differing views. There are those who are fed up with austerity. I myself tend to agree, in the sense that general austerity has been in force nearly a decade, but is not leading anywhere. There is no restructuring, uneconomical activities are being cut back hardly at all, and the economical activities are showing hardly any growth. In my opinion, more and more deputies are aware also within the National Assembly that production subsidies must be curbed, although there is no complete consensus on this, either.

[Question] I often encounter the opinion—it is shared also by the Hungarian Chamber of Commerce, for example—that to cut back the uneconomical activities and enterprises is the right thing to do in principle, but in practice the shortage of foreign exchange does not permit discontinuing the output of products for which there is a demand in the domestic market.

J. Bogнар: I do not agree with that opinion. As a rule, an import demand does not arise suddenly, from one moment to the next. Our structural problems, for example, have been with us for decades. And it would have been possible to make provisions to import. When we want to import, it is usually possible to find offsets. After all, it is also in the foreign exporters' interest to expand the market. And the licensing of imports of smaller value ought to be made far more simple than it is at present. If we cannot stabilize our economy from the side of import, we will not be able to adapt to the market, and our worsening terms of trade will continue to eat up also in the future the amount of national income available for distribution.

R. Nyers: Our present starting point can be described as a mess, and our way out from it will be rather bumpy. I share Jozsef Bogнар's opinion when he does not agree with the views that everything has been predetermined to such an extent that there is nothing to be done. This is finding an ideological explanation for our helplessness. On the other hand, however, it is true that if things continue in the same way they have been going up to now, our solvency will be in jeopardy, and the lack of sufficient import denominated in hard currency will truly limit our scope for maneuvering.

The government program calls for selective austerity, but what this means has not been spelled out as yet. It seems to me that specific plans are still lacking for the solution of many of our serious problems. How to handle the social and economic hardships caused by cutbacks, for example. In other words, not even the National Assembly's deputies can have a clear picture of the possibilities of austerity. The government, I believe, ought to come up with some concept that specifies the methods of selectivity. For generalities will not be of much use to us.

We are spending about a third of the state budget on welfare, health care, and education. Here there is minimal room for cuts, in my opinion. We must protect this sphere, to prevent it from becoming unworkable.

J. Bogнар: I consider it very likely that several deputies will be dwelling on this subject, particularly on the problems of social policy and national health, and will be demanding that the spending budgeted for next year be increased.

R. Nyers: Another third of the budget is being spent on subsidizing the economy. There is much to be done particularly here. However, the standpoints of the deputies regarding this sphere are conflicting. Not only because we cannot expect a deputy employed by, say, a metallurgical enterprise to welcome cuts in, or the phase-out of, the state subsidies to metallurgy; but also because the government itself is dithering on this question. We deputies are likewise uncertain. The situation is further complicated by the fact that our country lacks developed market relations, and therefore our fiscal affairs, our fiscal and monetary systems, are not developed either. It

is not at all obvious to the deputies that the taxpayer must foot the bill for any subsidies they themselves vote for. So long as such accounting is lacking—and the tax reform merely alleviates this problem but does not solve it—the National Assembly will always be more inclined to protect subsidies than to cut spending.

The final third of the state budget is spent on the state's traditional tasks, such as public administration, national defense, etc. According to the prime minister, cuts in this area are possible and necessary, but he thinks that we should not entertain great hopes regarding them. But some of the deputies, I believe, are more hopeful about cuts here.

T. Sarkozy: The size of national public administration's central apparatus is not at all excessive by international comparisons. But the same cannot be said of the institutions supporting it. If we could cut by half the number of persons employed in them....

R. Nyers: Don't you dare give the government such advice!

T. Sarkozy: I too would regard as excessive across-the-board staff cuts on such a scale. What I was going to say is that even such extreme cuts in personnel could save merely less than one percent of total expenditure. In other words, significant savings cannot be expected in this area, although it is widely believed that they are possible. Aside from this, selective cuts are necessary in national public administration and particularly in the staffs of its supporting institutions; or the more efficient use of the existing personnel is warranted. Thus national public administration's apparatus should be used mainly in public administration, rather than in supervising the enterprises; more staff should be assigned directly to handling the population's affairs, etc.

J. Bogнар: The number of persons employed in national public administration does not reflect the fact that much of this administration's authority has been, or at least should have been, transferred to the enterprises.

R. Nyers: On the basis of my past experience, I am opposed to any short-term drive for shedding personnel. Such a drive was politically warranted in 1957, but that is not what we need now. The state's tasks could probably be performed also by a smaller work force. But that requires rethinking the functions and methods, and reforming the entire system of institutions, instead of launching a campaign whose practical effect would be only temporary at best.

T. Sarkozy: I fully agree, and this is also the government's intention. In national public administration, parallel with the rethinking of the functions, we should strive for a smaller, but professionally better-trained and better-paid apparatus. At the same time, we must ensure a much higher level of technical training than at present.

Such a national public administration probably would not be cheaper, but it could prove more useful by favorably influencing the socioeconomic processes.

R. Nyers: The full-time personnel of the trade unions—of the SZOT [National Council of Trade Unions] and its member institutions, of the vertical and horizontal trade unions—is very large. While the trade unions' record in representing the interests of their members is poor, the interests of specific groups are lost in the shuffle, in the course of the multistage reconciliation of interests within this bloated bureaucratic apparatus.

[Question] Reverting to next year's budget, how much deficit do you consider realistic?

J. Bogнар: The budget deficit this year will be 35 billion forints, instead of the 43 billion forints originally planned. But if we bear in mind that in spring the government was still aiming for a deficit of 30 billion forints, the improvement does not seem so favorable. For next year's budget the government is proposing a deficit of about 20 billion forints, which I consider realistic and attainable.

[Question] But some government agencies believe that the country's solvency can be maintained only if the budget deficit is much smaller.

J. Bogнар: Perhaps there is no country in the world without a deficit in its budget. I do not regard a sharper reduction of the deficit feasible.

R. Nyers: I too am of the opinion that the relationship between our balance of payments and the budget deficit is not so close as some members of the government claim. A deficit of about 20 billion forints would still permit an economic policy that selectively stimulates growth. But if we were to attempt to reduce this budget deficit to a few billion forints, then the economic policy this would require could not be reconciled with the government's program. The excessive tinkering with the economy would produce huge losses, violate the economic mechanism's principles and absorb, rather than produce, the prerequisites for consolidation. We may choose this road to extricate ourselves from an already existing crisis, but otherwise it should be avoided if at all possible.

[Question] The National Assembly has been dealing with budgetary matters usually twice up to now: once when debating and passing the budget bill; and again when approving the budgetary control report, which means taking cognizance of facts after they occur. Can any change be expected in this respect? For example, that the government will have to request supplementary appropriations from the National Assembly when expenditures are exceeding their estimates?

T. Sarkozy: The bill on next year's budget that the Ministry of Finance presented to the National Assembly's Planning and Budget Committee already contains so-called flagged numbers. Which means that certain estimates of expenditure—e.g., the appropriations for subsidies—may be exceeded only with the National Assembly's consent. The committee is recommending even more restrictions than what the Ministry of Finance has proposed; but this, of course, is something the full National Assembly will have to decide. Incidentally, I fully agree with the minister of finance that it is in the government's best interest to build such flagged numbers into the budget.

J. Bognar: Naturally, because this lends legitimacy to the fiscal administration and shields the minister of finance from the other members of the cabinet.

[Question] The bills on next year's national economic plan and the state budget are being introduced in the National Assembly at a time when the system of regulation is already given. This obviously limits the possibilities. In the opinion of many experts, the changeover to tax reform, in combination with repricing, will make the enterprises' income situation far more favorable than originally expected; this could generate additional inflationary pressures and lead during the year to government measures that would only add to the enterprises' uncertainty. Would it not be more expedient to debate this in the National Assembly and force the government to incorporate already in the plan, before its adoption, the modifications that otherwise could be expected during the year?

R. Nyers: I share the opinion that the enterprises will have more cash than originally estimated. After all, they have always been able to take advantage of repricing to increase their incomes. I am, nevertheless, in favor of retaining the regulators unchanged. That is essential to regain the enterprises' confidence, without which there cannot be any consolidation. The uncertainty of the enterprises' calculations would make their operations unplannable. If necessary, the enterprises will have to be given an incentive to save voluntarily.

T. Sarkozy: From the viewpoint of law, I regard this question a pseudoproblem. Because the regulators usually are cloaked in vested authority such that skillful fiscal policy is able to soak up the additional income, even without any modification of the regulators. It is entirely another matter that the enterprises consider that, too, as unfair.

R. Nyers: But this is the very thing that should not be done. The government would lose its credibility if it failed to keep its word.

[Question] Many people are of the opinion that devaluation of the forint in November has not exactly enhanced the government's credibility.

J. Bognar: I do not agree with that assessment. Even in the capitalist world, such decisions are announced only hours before the changes become effective. I know of numerous instances in which governments issued the strongest possible denials, but devalued their currencies the next day. Namely, such decisions cannot be announced in advance because speculators would have a field day.

R. Nyers: I agree with Jozsef Bognar but would like to add that the government should refrain, if possible, from making promises it is not free to honor.

T. Sarkozy: To revert to the system of regulation: it has long been an understandable demand of the enterprises that they be acquainted with the system of regulation as early as possible, so that they may prepare for the following year. But parliaments everywhere in the world adopt the budget [for the following year] only at the end of the [current] fiscal year. If the system of regulation were made public only after the December session of the National Assembly, it probably would be more in harmony with the National Assembly's control of the budget process, but the enterprises would be objecting to that, too.

R. Nyers: But our primitive, annually changing system of regulation is something unknown in countries with developed market economies. In my opinion, the National Assembly must be assigned a bigger role in approving the system of regulation, and regulation itself must be based on new principles.

T. Sarkozy: I fully agree with this. The problem will be solved if the Law on Legislation, which is to be enacted in December, ends the more or less corrupt practice that a law is enacted, and then the Council of Ministers issues an implementing decree and other decrees, the provisions of which are often in conflict with the spirit of the enacted law and provide more opportunity for government interference. For the system of regulation consists mostly of statutory regulations issued at a level below the Council of Ministers.

R. Nyers: But this is not only a question of legislation. We must not forget that the problems of the system of regulation stem also from market conditions and economic necessity.

T. Sarkozy: That is true, and also another reason why I regard as important the government's ongoing work: on streamlining the methods of planning; on integrating income, price and wage regulation; and on the clearer separation of fiscal management and monetary management.

[Question] During the autumn session of the National Assembly, the idea was advanced of making the central bank directly subordinate to the National Assembly. What is your opinion about this?

T. Sarkozy: There is hardly a Western country where the central bank is directly subordinate to parliament. The typical arrangement is to place the central bank under the chief of state or the government. The present constitutional-law status of the Hungarian National Bank is unquestionably conflicting: it is a financial institution that operates as a corporation, and at the same time it is also a central government agency. This latter status is questionable. But I could hardly imagine placing the Hungarian National Bank directly under the National Assembly, so long as credit policy remains a government responsibility. In the present situation, I believe, it would be expedient to place the Hungarian National Bank under the prime minister. That way the bank would be sufficiently independent of the state budget, yet would not be separated from the government.

R. Nyers: The Hungarian National Bank's direct supervision ought to be split somehow between the National Assembly and the government. Supervision by the National Assembly is indispensable, because changes in the value of the currency cannot be solely a function of government decisions. The president of the Hungarian National Bank is now a state secretary. This is both too much and too little. He should not hold this rank and be a member of the government, but he should have more influence and authority than a state secretary. Monetary policy today still depends too much on government decisions and the state budget, whereas it should be more independent of both.

J. Bognar: The Hungarian National Bank remains a corporation even today. Its form of business organization should be made more meaningful by putting an end to the situation that in practice the Ministry of Finance is the bank's sole shareholder. A way should be found to submit to debate the setting of interest rates and the foreign-exchange operations, so that they will not be governed by budgetary considerations and subjective decisions.

[Question] During the debate on tax reform in the National Assembly, it was conspicuous that the deputies active in the various branches of literature and the arts took the floor, one after the other, to request tax concessions for themselves. It was likewise striking that several deputies presented to the National Assembly the problems of their own enterprises, whereas in principle the deputies should not be representing their workplaces or occupations. On the other hand, it provides food for thought that in the debate, supposedly on the government's program, some deputies outlined the local problems of their own constituencies. In your opinion, whom are the deputies representing and whom should they be representing? What is the National Assembly's place in Hungarian political practice?

J. Bognar: The National Assembly is an institution that expresses the sovereignty of the people, sets through laws the limits of the government's authority, and oversees

the government's work. In the performance of this function, the National Assembly's relationship with the party and the Presidential Council deserves special attention. For the Presidential Council may issue law decrees, and in practice also the party resolution may have "the force of law."

R. Nyers: Such "legislative" authority of the party stemmed from the very essence of the dictatorship of the proletariat.

[Question] Does the party ever instruct its deputies how to vote in the National Assembly?

R. Nyers: There are such precedents. And, in my opinion, this is entirely warranted in the case of some issues. As a rule, however, it is unwise to choose this method. In the debate on tax reform, for example, party members were not obligated to support it, even though the debate was an extensive one. And that was a very sound decision.

J. Bognar: In recent decades, the Presidential Council excluded many important questions from the authority of the National Assembly. In such cases the National Assembly's role was limited to rubber-stamping afterwards the law decrees that the Presidential Council issued. To my mind, it is questionable whether we need a Presidential Council at all. But if we do, then I think it is reasonable that also the chairman of the National Assembly's committee, of the one which normally would have held hearings on the matter under consideration, attend the session of the Presidential Council, in the same way as the minister concerned does.

R. Nyers: Or perhaps the president of the National Assembly, having been advised by the committee, should countersign each law decree.

T. Sarkozy: Under our present system of institutions, it is the government that can do the most in this matter. For it is the government that decides whether to introduce a bill in the National Assembly or to submit the draft of a law decree to the Presidential Council. In other words, we have to introduce more bills in the National Assembly. But if the proposed Law on Legislation specifies what matters are reserved exclusively for the National Assembly—i.e., what matters may be regulated only by laws—and declares that law decrees may be issued in such matters only under exceptional circumstances, then for the most part this problem would be solved automatically. Incidentally, the government has been letting the appropriate committees of the National Assembly debate the drafts of most of the law decrees recently submitted to the Presidential Council.

R. Nyers: I think the deputies are able to grow with the National Assembly's increasing influence. But if the role of the full National Assembly is merely to approve complete proposals, without any participation in problem-solving decisions, then the deputies will approve the

proposals as a matter of general trust, but will dwell on the local problems of their constituencies because they will have nothing else to talk about. Some favorable changes have already begun in this respect.

The National Assembly also needs information for its responsible work. An important change is that next year the deputies will probably be getting the same monthly statistical reports as the members of the Central Committee are receiving. It would be useful if the deputies could get or order from the Central Statistical Office also the background briefs on current issues of economic policy.

J. Bogнар: Two years ago I have already raised in *Figyelo* the possibility of establishing an Economic Chamber within the National Assembly. At that time I started out from the fact that numerous interest-representing and other voluntary public organizations had already been expressing their views on various economic and political questions. That forum for debate could be institutionalized by assembling the representatives of the aforementioned organizations. The National Assembly's Economic Chamber could work out recommendations for the National Assembly.

R. Nyers: That is one possibility which deserves serious study. I can conceive of another one as well: that the representatives of the present social strata form a separate chamber. Its members would be delegated by the various interest-representing organizations—e.g., the trade unions, the Chamber of Commerce, the cooperative federations—and by the organizations of intellectuals, the churches, etc.

T. Sarkozy: The deputies' linkage to their constituencies is unquestionably excessive, and various proposals have been advanced also in the scientific literature to loosen it. I think that the proposals of Comrades Bogнар and Nyers, for example, could perhaps provide a solution if we first succeed in establishing a properly functioning and differentiated system of interest representation, one that is elected and overseen by its members.

R. Nyers: This is necessary, of course. But the processes could start also in parallel.

1014

### **New Bond Type Introduced To Spur Enterprise Success**

2500054 Budapest HETI VILAGGAZDASAG  
in Hungarian 7 Nov 87 pp 50-54

[Article by Gyorgyi Kocsis: "Incentive Linked to Enterprise's Net Worth; Yet, Who Actually Has an Interest in It?"; boxed material as indicated; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Who in Hungary actually has a financial interest in an enterprise's long-term profitability? For whom is it worthwhile to make sacrifices now and in the near

future, in the hope of bigger profits later on? Or, as economists would say, how can an incentive be created that is linked to an enterprise's net worth? Researchers as well as economic policymakers are encountering this seemingly theoretical, but actually practical, question with increasing frequency. A statutory regulation promulgated last week attempts to solve this dilemma by introducing so-called employees' participating bonds (see our boxed materials [three of the four boxes omitted]). However, closer analysis leads to the conclusion that perhaps even this solution may be in danger of fostering illusions.

It shocks ever-fewer people these days to see an enterprise sell one of its factories or plants, in an attempt to rid itself of loss-making production. Since the introduction of the new forms of enterprise management, the enterprise council—the body vested with the functions of the owner—has sole authority to take such action (or perhaps its exact opposite, to purchase a new subdivision) and to decide what to do with the proceeds from the sale.

But let us develop this idea further: What happens when an entire enterprise proves to be a chronic loss-maker, with no hope of ever being turned around? In such cases the enterprise has to be liquidated: the machinery, equipment and buildings must be sold and, regrettably, the workers have to be laid off. The proceeds from the sale of the enterprise must be used to satisfy the claims of the enterprise's creditors. And should there be any money left, we come to the crux of our problem: Whose money is it anyhow? Obviously it does not belong to the enterprise's workers, because they are merely its employees. The same holds true for the members of the enterprise council, including the enterprise's director; they are not the owners and may not pocket the money that is left. However, there is a regulation stating that in such cases the remaining money reverts to the state.

But all this is rather absurd. The enterprise council is free to decide how to use the enterprise's assets. In other words, it acts as the owner and may sell and buy, so long as only bits and pieces of the enterprise are involved. But it may not act as the owner, because it indeed is not the owner, when it comes to decisions regarding the enterprise as a whole. And conversely, the state cannot act as the owner in decisions that affect only a part of the enterprise (but who is to say how large a part, perhaps as much as 99 percent), yet the functions of the owner revert to the state beyond some undetermined proportion.

The enterprise council that seriously carries out to the letter its duty to invest the firm's assets profitably, perhaps even in purchased securities, would find itself in a similar dilemma. Could an enterprise council sell the whole firm and then buy stocks and bonds with the entire proceeds? And if so, who would get the dividends

and interest? Perhaps this income could be divided among the workers, in place of wages and salaries, and the entire work force could go on living as "persons of independent means"?

The cited examples may seem extreme and absurd, but in fact they are not. Efforts to operate efficiently require structural change, as we are being constantly reminded. And this in its turn presupposes the unrestricted flow of capital into areas with the highest return on investment. But the requirement that there be free and intensive flow of capital brings to the surface sharp contradictions in conjunction with decisions regarding public ownership in a socialist society. These contradictions seem moot, but they easily and quickly assume practical significance. In the final outcome they prompt an answer to the question: Who actually owns the enterprises in Hungary?

The answer to this question seems easy, for you only have to consult the Constitution, which states that the economic system is founded on public ownership of the means of production. But since society cannot exercise its rights as owner directly, it must delegate these rights to someone. Then the previous question becomes: Are the interests of the owner identical with the interests of whoever has been vested with the functions of the owner?

These questions, of course, are not new. Economic thinking—and to an increasing extent also the public, we might add—is merely focusing more closely on them now than in recent decades.

Obviously, this dilemma could hardly have arisen under the system of command planning, because for a long time it was not even possible to question whether the ministries, which were directly making all the day-to-day decisions for their enterprises, were exercising the owner's functions suitably. Although the Constitution declares that the means of production are publicly owned, implicitly and in practice the ministry concerned was the owner of the enterprises under its supervision, for it exercised all the rights of the owner: e.g., it split up and merged enterprises, founded and dissolved firms, etc.

The systematic shortfalls in the expected performances made it obvious that serious dysfunctions result from entrusting the owner's role to some government agency. Thus the idea arose of making the enterprises independent, and of limiting the right of outside organizations to interfere in the enterprises' business decisions. This idea was incorporated in the reform resolutions of 1968; and the introduction three years ago of the new forms of enterprise management—i.e., of the enterprise council, or the general meeting of enterprise workers (respectively of their delegates), to supervise the enterprise's management—held promise of this requirement's more complete fulfillment.

The principle, based in part on the experiences of the cooperatives, was to entrust primary responsibility for the growth of the enterprise's net worth, and for planning and implementing the owner's strategy, to a body elected by the enterprise's workers, a body that included also the enterprise's managers. Today many economists believe that this step was a mistake. Indeed, experience has confirmed what was theoretically predictable: that the enterprise councils (today about 70 percent of the industrial enterprises are operating under this form of management) are functioning as interest groups. They are neither representing, nor are able to represent, the interests of the owner, the role that has been forced upon them. And they neither have, nor can have, an incentive linked to the net worth (or capital) of the enterprise. This is hardly surprising: in principle it is entirely indifferent to the owner of capital in what his money is invested; the important thing for him is that the investment yield a return. To this end, the owner of capital freely invests his money wherever he expects the highest rate of return. However, the members of the enterprise council are not owners of capital but employees. They do have an interest in the long-term profitability of their enterprise and in the growth of its net worth, but by no means at any cost. Naturally and understandably, they are dedicated to the continuing physical existence of their enterprise, factory unit or shop and can hardly be expected to advocate its liquidation. Not even when that would objectively be the only sensible solution, to avoid burdening a larger collective, most often entire society, with the losses of a production unit.

The experiments urging the introduction of employee stock ownership, and of employees' participating bonds and bonus bonds—these have now received the green light also from statutory regulation—are recent attempts to remedy the obvious lack of incentive linked to net worth in an enterprise of the self-management type, operating under an enterprise council. A common feature of these experiments is that they wish to provide for employees an incentive linked to net worth, by issuing securities which only employees may buy [or receive as a bonus], and which earn interest or dividend from the enterprise's profit, but are negotiable only within certain limits.

According to numerous indications, the principal motive behind these initiatives is an understandable desire to circumvent the rules of pay regulation now in force. Aside from that, it is rather questionable how an incentive linked to net worth can be provided where the just promulgated statutory regulation does not give the owner of capital—in our case, the worker who has bought a participating bond issued by his enterprise—a say in matters pertaining to the enterprise's business strategy. And if he were able to exercise this right through elected representatives, for example, then the given firm would have to face yet another governing body similar to the enterprise council, together with all the contradictions listed earlier. By comparison, the

question is almost "negligible" as to what would happen if the firm failed: the laid-off workers who own shares would be in double trouble.

When lining up their arguments, the advocates of enterprise self-management that is reinforced by the institution of employees' participating bonds occasionally cite the favorable experience of the cooperatives. But researchers of the cooperative movement have recognized some time ago that—despite the declarations, the written by-laws, and the surviving rudimentary cooperative shares—most co-ops in Hungary have essentially hierarchic management structures in which each level of management is subordinate to the one above it, and which supplant cooperative self-management. The small cooperatives and other small business organizations seem to be the exceptions to the general rule within the Hungarian economy, in that they reconcile the owners' and employees' interests successfully and effectively; or at least that is what we may infer from the profits of most of these small business organizations. But it is highly questionable whether the two sets of interests can be reconciled equally well at higher levels of production concentration, organization size and complexity, and at larger volumes of information that must be mastered, than what are typical of the small businesses today.

Let us assume that, in the spirit of self-management, ownership of every enterprise within the economy is transferred to the workers of each enterprise. Then who will be the owner of a completely automated factory? Perhaps the sole worker who punches the buttons in the control room, together with the night watchman? Another group of economists, opposed to the general introduction of self-management, wonder how an unemployed worker could exercise his ownership rights guaranteed by the Constitution. These are the economists who point out that this model of enterprise management has not worked well even in Yugoslavia. (Supporters of the Yugoslav model often argue that the trouble stems not from shortcomings of the model itself, but from its improper application. To this one could counter with the old truism that practice is the proof of theory.)

Thus the economists in this group essentially start out from the principle that the person, board or institution with an interest in investing capital as profitably as possible must be independent of whoever operates the capital—the manager as the No 1 operator, the board consisting of managers, or the workers whose work the managers organize in the interest of operating the capital.

There is public ownership in Hungary, but the ten million Hungarians could hardly assemble on the ice-covered Danube [a reference to the election of King Matthias] to continually make decisions regarding the disposition of the total capital invested in the enterprises. Therefore, economists tell us, the owner must be personified. (They could have even said that the owner has to be simulated, in line with the economic jargon of

recent years that speaks of simulating the world-market price, for example.) However, the views differ on how this is to be achieved. Some economists are proposing the establishment of state holding companies, like the ones in Austria, while others would entrust this role to commercial banks. But very many economists see the solution in the widespread reorganization of the enterprises into corporations.

So far as corporations are concerned, the fact that this form of business organization has proven perhaps the most viable, adaptable and capable of growth during the several centuries of the market economies' existence provides considerable food for thought. But in Hungary, at least for the time being, only business organizations may buy shares; individuals may not. If someone were to attempt to reorganize most of Hungary's enterprises into corporations, in a way such that only enterprises could be shareholders, then the enterprises would end up owning one another, with all the possible consequences of such a solution.

According to another line of thinking, state holding companies—or commercial banks that are assigned the same role—ought to be created, with the sole task of reallocating the capital profitably. They would essentially constitute a type of superentrepreneurs. Opponents of this idea claim that these state holding companies or banks could easily become similar to the industrial directorates of rather evil memory that existed in the 1950's. Supporters counter this criticism by pointing out that the National Assembly would set the tasks and appoint the chief executives of the state holding companies or banks, and oversee their operations. Aside from the possible and by no means negligible difficulties that may arise in the course of this idea's practical implementation, one might ask with some skepticism that perhaps is not entirely unfounded: What guarantee is there that the National Assembly, as society's supreme controlling body, will have real power over these organizations? In principle, the National Assembly already has statutory authority to oversee how the administrative branch of government is managing publicly owned property, but is able to exercise this authority only to a limited extent.

The outlined ideas, and the doubts they have raised, indicate that the Hungarian economy's architects have not been able to find as yet the personification of public ownership, the subject of the incentive linked to the enterprise's net worth. However, to adopt a standpoint that all this is an abstract theoretical problem, best left to researchers to mull over, would be short-sighted. The danger that the Hungarian economy may drift to the world economy's periphery can be averted only through quick and flexible adjustment. And this presupposes efficient management, a skillful manager, and—in place of collective irresponsibility—a personified, responsible owner who is forced to place even his job on the line.

[Box, p 53]

[Interview by Zoltan Lovas: "The Dividend Went Up in Smoke"]

Under the employee stock ownership plan that the Amfora Commercial Enterprise worked out at the beginning of this year but has not introduced so far, every employee of the enterprise would be entitled to invest up to 100,000 forints in shares that the enterprise issues. Now that the decree on employees' participating bonds has been promulgated, we wondered whether the enterprise would introduce such bonds. This is what we inquired about in our interview with Zoltan Egyud, the director of the Amfora Commercial Enterprise.

HVG: You worked out the Amfora employee stock ownership plan and submitted it for approval to the Ministry of Finance already in February of this year. Now that the decree on employees' participating bonds has been published, what will happen to the Amfora plan?

Z.E.: Let me perhaps begin by pointing out that although the decree just published does not differ in essence from the plan we submitted for approval, it is nevertheless outrageous that the Ministry of Finance has not even deigned to reply since spring. Now, of course, we would have to redraft our plan to conform with the provisions of the decree.

HVG: You would have to?

Z.E.: We would have to if we wanted to. But now we are no longer certain that we should introduce employees' participating bonds, because in the meantime the situation has changed completely.

HVG: Why would it be less important for Amfora now than a few months ago to provide an incentive linked to the enterprise's net worth?

Z.E.: That is not the point. With employees' participating bonds we could strengthen the workers' attachment to the enterprise, and with employees' bonus bonds we could reward the members of the enterprise council who, incidentally, have been working very hard for a long time, without compensation. The trouble is that in spring we figured our anticipated rate of return on assets this year would enable us to pay a 20-percent dividend per Amfora share, whereas next year we could expect to pay at most half that much interest on the bonds.

HVG: Ten percent interest would indeed be less than the highest interest rate the National Savings Bank now offers. That undoubtedly would not be an attractive investment opportunity for your 1100 workers.

Z.E.: That's right. To be able to introduce Amfora bonds at all, we would have to offer at least 11 or 12 percent interest, under the present conditions. But the question is: How? We are now seeking a solution, and it may easily happen that we will not find one.

HVG: In which case Amfora would abandon the issuance of employees' participating bonds and bonus bonds?

Z.E. That would be understandable, would it not? Incidentally, in my opinion, the real solution to offering the workers an incentive based on their enterprises' net worth, and to giving them as owners a real say in the enterprises' affairs, would be to reorganize the enterprises as corporations and to issue shares, instead of introducing bonds for this or that reason.

HVG: Even if that does happen eventually, what will Amfora do in the meantime if it does not introduce employees' participating bonds? You will be depriving yourselves of the 45 million forints of additional capital you were hoping to raise over three years under your employee stock ownership plan. And that is by no means a small amount compared with your present capital of 720 million forints.

Z.E.: Perhaps our problem next year will be not how to raise more capital, but how to use the capital we already have. If our rate of return on assets falls to about 10 percent due to the indexing of the aforementioned profit margin, then any interest rate paid by a bank would offer a higher yield.

HVG: And what then? Will Amfora pull out of the market and deposit its capital in a bank? That would be logical from a financial viewpoint.

Z.E.: No Hungarian enterprise would dare to do so. Nor is that included in our enterprise's charter.

1014

**'30 Percent of Private Enterprises May Fold'**  
*25000070 Budapest OTLET in Hungarian*  
*19 Nov 87 p 13*

[Interview with Janos Palotas, associate president of the Chamber of Commerce's Private Enterprise Section: "30 Percent of Private Enterprises May Fold: the Merciless Special Tax"]

[Text] Already more than a half a million people in our country are engaged in some form of private venture, hence the problems of this stratum affects a sizable segment of the populace. Perhaps this was the reason why the most recent segment of the television program "Window," aired in October, had such distinguished guests facing off as Istvan Kollarik, head of main department of the Ministry of Finance, and Janos Palotas, associate president of the Chamber of Commerce's Private Enterprise Section

and collective representative of the Kandelaber economic work collective. According to the main department head of the Ministry of Finance under the present circumstances the state budget cannot afford to give up the 8-10 billion forints it currently takes in from special taxes levied on small businesses. Below we wish to familiarize our readers with Janos Palotas' arguments.

At the time it was first introduced the special tax was intended to be nothing more a means to place tighter controls on enterprise economic work collectives as it had been learned that enterprises were accounting for moneys as expenses which otherwise would have been calculated as wages, explained Janos Palotas. As it turned out the 20 percent special tax imposed on the enterprise economic work collectives has failed to achieve the desired effect as the 10, 15 and later 20 percent compensatory tax levied was still considerably lower than the punitive 400-500 percent wage tax. Nevertheless it was subsequently expanded to include economic work collectives and unincorporated civil law partnerships and even specialized groups, the argument being that enterprise economic work collectives could easily transform themselves into other forms of business in order to evade the special taxes imposed on them. Back then there was still another reason mentioned, namely that the withdrawals would not have been equally distributed had the enterprise economic work collectives been asked to bear such discriminatory burdens.

What makes matters even worse, continued the president of the Private Enterprise Section, that the special tax is unjustifiable and unfair even from the point of view of the budget since the increase in the tax burdens imposed on private entrepreneurs is in itself greater than the revenues collected from the special tax. Moreover, conceivably it may not even alleviate our budgetary problems, because if prolonged, the negative effects of the decline in economic activity may eventually outweigh the theoretically conceived—but yet to be realized—revenue levels.

And while we are debating the merits of the special tax and the taxation of private entrepreneurs, it is also worth noting that small organizations produce some 8-10 percent of the national income. The question can rightfully be asked, therefore, whether or not our national economy intends to continue to rely on their contribution in the future. Incidentally, the number of private businesses today has reached nearly 50,000, the overwhelming majority of which are unincorporated businesses, i.e., economic work collectives, enterprise economic work collectives, civil law partnerships and specialized groups. Merely 2,000 of them are incorporated private cooperatives which are excluded from under this discriminatory treatment. It appears that some 30 percent of the 50,000 private businesses will go bankrupt, and paradoxically it is the productive branches that are the most seriously imperiled by the special tax.

[Question] Has any thought been given to allowing small businesses to pass the special tax levied on them on to the contractor; or to put it plainly, could the buyer be asked to pay the special tax? Would such a solution be realistic?

[Answer] If under market conditions unaffected by organizational forms someone commissions the services of private business, he will insist on equal terms. Consequently, this means that a private business must be 20 percent cheaper than its state competitor. One can be certain that highly material- and investment-intensive businesses will under no circumstances be able to cut their costs by this kind of a margin. But even without the special tax, there has been a general increase in the tax burden of private entrepreneurs. The small business tax has been raised from 10 to 15 percent. Although the personal income tax rates have not been increased, they have eliminated a 10-percent tax exempt bracket, thus increasing budgetary tax revenues by a total of as much as 10, 20 and even 30 percent. Social insurance contributions are also higher than before, and with the special tax the burdens may become completely unbearable.

[Question] Many businesses are protecting themselves by reorganizing as small cooperatives. Will this be the only feasible way out for them?

[Answer] Although the 20 percent special tax does not apply to small cooperatives, I would still warn private businesses not to rush into reorganizing themselves into small cooperatives without any reason. First of all, there is a loss involved in every reorganization which generally can be very hard on small organizations. For if a private business is dissolved, its divided capital is subject to taxes which reduces the amount of capital that can be reinvested in the new venture. There are also other barriers to reorganization, including the precondition of annulling all existing partnership contracts. Will the partners agree to annulling contracts that had been signed for 2-3 years, and if so, will they be willing to sign new contracts upon reorganization? Furthermore, adoption of the small cooperative format may also increase the size of the operation, since the mandatory minimum staff level of such organizations is higher than that of other forms of small businesses. Hence reorganization is probably not the real solution; what we should focus on instead is how to do away with forms of taxation that are contrary to the needs of the economy...

9379

#### **'Industrial Policy at the Crossroads'**

25000069 *Budapest MAGYAR NEMZET in Hungarian*  
3 Dec 87 p 5

[Interview with Bela Greskovits, research fellow at the Prosperity, Market Research, and Informatics Institute, by Ervin Zsubori. First two paragraphs are MAGYAR NEMZET's introduction.]

[Text] The economy is troubled, laden with concerns. We know well what to do in situations like this—we must climb out of the crisis. The only question is: how?

The crisis can be felt strongly in Hungarian industry also. The way this is usually done, industrial policy management is making attempts for recovery. In charting alternative ways of recovery, policy makers frequently invoke the international record, prevailing global trends and the Western influence on industrial development. Are these precedents to be followed by all means? What should and what should not be followed? Are we learning from these precedents the things we should be learning? Among other items, these were the topics of our conversation with Bela Greskovits, research fellow at KOPINT-DATORG, the Prosperity, Market Research and Informatics Institute.

[Question] Let us first discuss the international trends in crisis management.

[Answer] Since the 1970's Western industrial policies have been the subjects of a process of continuous change. Although subsidies still consume the bulk of financial resources in support of activities, corporations and industrial branches which manifest structural adaptation problems, the trend of subsidies shows moderation. Disillusionment with governmental foster-parent attitudes prompted the increased reliance on methods which conform with market demands, but which nevertheless require preliminary guarantees for structural change, and the acceptance of a greater share of the burden by corporations and by society as a whole. Paralleling this the positive aspects of structural change attract increased attention. These are the advances made by new, dynamic branches of industry and corporations.

#### They Don't Know Either

[Question] What means do they use to support the creation of new structures?

[Answer] We are talking primarily about technological and innovative means. The fact that research and development [R&D], innovation, technology transfer and the related institutional system have become important elements in the industrial policies of leading nations suggests that this will become a lasting trend. It is noteworthy that these national or regional technology policies are similar in many respects. Thus, for example, the increasing ratio of R&D investments as compared to gross domestic production [GDP] is a common feature. Moreover, these investments have largely similar features: they encourage the development of peak-technology activities. They do so not at the level of basic research, but by supporting specific developmental conceptions advanced by corporations.

[Question] Should we say that these trends have an effect on Hungarian industrial policies?

[Answer] This is unquestionably so, even though it seems that these Western trends represent only an ideal for industrial policy. This is so, because practice in Hungary still follows a path completely different from the one

followed by market economies. Hungarian industrial policy is a centralized investment policy. This policy has classified the bulk of available resources into base-material, semi-finished product, and energy industry investments. This view of industrial policy has remained unchanged for quite a long period of time. For this reason I believe that the influence exerted by new capitalist industrial policy-trends upon the idealism of Hungarian industrial policies is frequently followed by misunderstandings concerning the nature of Western change.

[Question] What kinds of misunderstandings do you have in mind?

[Answer] It is a misunderstanding, for instance, to attribute the technical-technological change that is going on in developed countries primarily to increasing technological policy activities, and conversely, to expect the acceleration Hungarian development simply by virtue of a large-budget technology policy which sets priorities. Technical development and innovation in market economies is first and foremost a corporate issue. It is a matter of keeping abreast with the competition. It would continue to go on even if the state would remain inactive in that field.

Similarly, it would be a misunderstanding to believe that the pervasive governmental practice of the West by which certain targeted projects are being financed would suggest the renaissance of central governmental intervention. In contrast to the East European pattern, Western state-supported R&D, even if such R&D efforts include targeted projects by the government, only seldom contain prescriptions as to how things should be done, at what cost, in cooperation with whom, in unison with whom, and to an even lesser extent how the future results should be marketed by the corporation at what price and in what quantities.

#### Dangerous Misunderstandings

[Question] In the context of peak technology development, would it be worthwhile to follow the Western trend?

[Answer] One must be careful in this respect also. Hungarian developmental policy-makers must not believe that their Western colleagues, rather than themselves, had discovered the infallible method of foreseeing future market successes, and that Hungarian policy makers must only learn the Western tricks of the trade. Throughout the world, the apparent similarities of priorities in technological policy do not demonstrate the rational foresight of the governmental sector. They prove the limitation of such foresight.

[Question] What are the dangers of such misunderstandings?

[Answer] Such misunderstandings may produce—and they are producing—an industrial development illusion which is based on the erroneous one-sided interpretation of a developmental trend which was selected to serve as the example. In this context the illusion is being threatened by failure, just as earlier industrial policies were.

If one follows the illusion, Hungarian industrial policy-makers would reexamine their priorities. They would change to a course orientated toward technology-intensive technical development. Under this scenario only the government is capable of providing guidance for such a change in policy. The trends to be followed in structural and course modifications would be established on the basis of global developmental trends, and would be stimulated with long-term and medium-range plans, and with grandiose investment programs.

[Question] Accordingly, the government bears great responsibility in making these decisions....

[Answer] Yes, and even more so because in one respect the governmental direction of Hungarian industry faces a more difficult task than the westerners. The responsibility of Western governments is diminished by the fact that incorrect governmental decisions may be corrected or offset by appropriate corporate decisions. In contrast, in countries like Hungary, where economic development and the setting of developmental trends is largely determined through centralized methods, the enterprises have less chance to correct or offset inappropriate governmental decisions. The financial resources of enterprises are determined by the relative significance of the enterprise. It all depends on the actual relative significance of an enterprise, or the significance an enterprise is capable of attributing to itself and to have that accepted in the framework of central priorities.

[Question] Insofar as the observation of global trends alone is not a passable road, what course should Hungarian industrial policy take?

[Answer] One can only discuss this in a few sentences, in a highly simplified way. Let us begin by saying that industrial policy consists of three main areas. These are: investment policies, technology policies, and some kind of policy concerning competition, which includes foreign trade policy. At present we have two separate investment policies, one focusing on CEMA markets, the other on domestic markets. The latter is complemented by domestic market policies which essentially exclude import competition, but in which cooperative relationships with Western corporations is relatively loose, and foreign investments are minimal. All this is supplemented by a technology policy which even as of today has not decided whether it should strive for technological independence, or assume the character of a follower.

[Question] What would be a desirable industrial policy instead of these?

[Answer] I emphasize: this will be stated in very simplified terms. I would consider as important that we have an export-oriented investment policy focused on convertible currency markets; a market and competition policy which creates competitive imports; and a technology policy which is committed to have a 'follower' character. The term 'follower' should not mean the imitation of the main trends of technological policy that prevail in the world, but rather the secondary application of the achievements of Western development, the purchase of licenses, their transfer by virtue of foreign investments in Hungary.

We should take advantage of the fact that foreign investors do evaluate economic conditions in countries other than their own, and decide where to invest their money. This is done with respect to economies that are sufficiently open to attract capital. This kind of value judgment could serve as a testing ground for Hungarian industrial policy: we could concentrate our developmental activities in areas that are deemed to be worthy of development pursuant to world market criteria.

This method, of course, is no miracle cure either, it contains many elements of risk. On the other hand, I am not aware of any evolutionary vision in today's Hungary which would not be accompanied by some kind of shock. Aside from maintaining the existing situation, I do not see a chance for evolution.

#### Severance and Connection

[Question] What would be the role of governmental authorities dealing with industry with respect to a change in the direction of a market-oriented industrial policy?

[Answer] The pre-condition for change is a determined and consistent departure from the earlier industrial policy. This requires decisions the enforcement of which is within the power of the government. Thus for example, we should modify the ratio of investments tied to central decisions versus autonomous enterprise decisions; we should moderate the level of subsidies provided to enterprises and industrial branches operating with a loss; we should contain effects which are unfavorable from the viewpoint of renewal—the ones which stem from Hungarian economic commitments to CEMA developmental projects. Only the financial resources thus freed, the changing rules of conduct and a changing ratio in institutional strength, can provide sufficient momentum to permit a new start.

The enforcement of decisions pertaining to the desirable industrial structure are not directly within the realm of Hungarian governmental authorities. If this recognition becomes part of consciousness we may see an economic management which exerts its energies in the direction of establishing institutions serving as intermediaries at the

contact points where government and industry meet, institutions, which evaluate and convey developmental proposals advanced by industry on the basis of business criteria.

12995

## POLAND

### Interest in Dollar CD's on Rise

*26000105e Warsaw ZYCIE WARSZAWY in Polish  
6 Nov 87 pp 1, 2*

[Text] (PAP) The idea was a long shot. That is what was said about the decision to introduce certificate-of-deposits in \$100 and \$500 denominations on our currency market. True, the entire "business" is still in the startup stage, but the number of people willing to buy these types of obligations is growing day by day.

"Let us remember," said the first vice president of the PKO SA bank, Andrzej Olszewski, "that these certificates can be purchased for undocumented foreign currency." The certificates are issued for 1, 2 or 3 years and bear an interest rate of 3, 8 and 9 percent, respectively—i.e., 1 percent less than term currency accounts. But although in the case of these accounts one must wait the entire period of the agreement for interest to be paid, the certificates contain coupons which make it possible to obtain the interest, in the applicable amounts, every 6 months. If the coupons are not used, an additional bonus coupon remains which accumulates the total interest on the basis of compounding. In such case, the total interest accumulated after 3 years will be much greater than the amount of interest paid on the 6-month coupons.

It is still too early to make a complete assessment; however, PKO SA branches throughout the country are reporting a growing interest in this new form of foreign-currency savings. At present, customers are buying certificates totaling \$200,000 daily and there are often cases where single purchases exceed \$10,000.

After 2-3 days of "restraint," PKO customers are also getting in line at other windows—to buy bonds, despite the fact that, as reported by PAP correspondents, the current exchange rate is often "beaten" by black-marketeers.

"This is their natural self-defense reflex and a kind of testimonial," says Olszewski. "But the bank will apply a fluid rate, adapting it to current quotations. The first changes can be expected in 10 days. Black-market quotations will be collected at the same time in the local markets and the average will determine the current rate. For the time being, we intend to conduct this type of operation once a week."

9295

### Increased Train Traffic With USSR

*26000105b Warsaw TRYBUNA LUDU in Polish  
5 Nov 87 p 7*

[Article by Andrzej Kozminski]

[Text] Big changes have been made in railroad transportation between Poland and the USSR: By the end of next May seven more new trains will be running, some now running will be hauling additional cars, and the number of seats will increase about two-and-a-half times.

The first of these trains from Bialystok to Grodno began to run on 26 October. Next, from Sokolki to Vilno, a holiday train is scheduled to run from 18 December 1987 to 3 January 1988. Beginning 29 May 1988 it will operate daily.

Starting the day that next year's timetable goes into effect, the Polish and Russian state railroads will add the following trains:

—A train from Berlin through Warsaw to Vilno (jointly with the GDR railroads), made up of sleeping cars;

—A new train from Warsaw to Moscow through Grodno, Wilno, Minsk and Smolensk, also made up of sleeping cars;

—Another new train links Katowice with Brzesc. It will be made up of cars with unreserved seats;

—A train linking Przemysl and Chernovtsy, also made up of cars with unreserved seats, will serve local traffic;

—Finally, a long-distance train running between Wroclaw and Kiev, made up of sleeping cars.

The new timetable will also include more sleeping car spaces in a train from Warsaw to Riga, and the train running from Warsaw to Leningrad will pull 12 cars every other day instead of 6.

Moreover, starting the middle of this month, an additional car is already running from Zebrzydowice to Moscow, and beginning mid-December the interexpress Polonez will pull additional wagons (seats only) to Brzesc, where four sleeping cars will be supplied to the Polish State Railroads for the further journey to Moscow.

The Polish State Railroads will supply 8 sleeping cars and 20 sitting cars and the Russian State Railroads will supply 69 sleepers and 9 sitting cars to service these new connections.

The additional service between Poland and the USSR is the result of decisions made by the Polish and Soviet ministers of transportation last September in connection with the anticipated rise of passenger traffic between these two countries.

9295

**Difficulties in Exporting to CEMA Countries Cited**  
*26000105a Warsaw RZECZPOSPOLITA in Polish*  
*5 Nov 87 pp 1, 6*

[Text] Through arrangements made by the Foreign Trade Commission of the PZPR Warsaw Committee, a meeting was held in Warsaw on 4 November which was devoted to the application of the second stage of economic reform in foreign trade. The meeting was attended by representatives of enterprises producing for export, foreign trade enterprises, and the capital's party aktiv.

Andrzej Wojcik, secretary of state in the Ministry of Foreign Economic Cooperation, described the government's plans in this regard. He reported that the Government Presidium decided to establish uniform rules for the granting of subsidies for farm-good export. The subsidies, which will be granted in like amounts to all exporters, are aimed at eliminating the differences between the cost of obtaining foreign exchange in farm-food export and similar costs in the case of industrial-goods export.

Preparations are also underway to establish, as of mid-1988, a universal system of ruble-allowance accounts (up to now, ruble allowances were applied only on an experimental basis in a selected group of enterprises). Through a priority system, it will be possible to obtain goods, especially machinery and equipment imported from socialist States on the basis of trade protocols, for the funds accumulated in these accounts.

A draft amendment to the law on foreign-capital companies has also been prepared in the Ministry of Foreign Economic Cooperation. It provides for the elimination of many restrictions, including the requirement that the Polish partner hold the majority share of capital in the company. As reported by Minister Wojcik, permits for the establishment of eight companies have been issued.

Difficulties in exporting to socialist states were the topic of a large part of the discussion. The difficulties relate to the lack of consistency among the exchange-rate policies of the CEMA states. This is shown by the artificial escalation of the exchange rate of the transferable ruble in relation to the dollar. The matter has already been brought up by representatives of our government at a CEMA forum.

9295

**Economic Value, Rationale of 'Dollar Stores' Argued**

**Financial, Social Benefits Viewed**  
*26000092 Warsaw TRYBUNA LUDU in Polish*  
*5-6 Sep 87 p 3*

[Article by Marzenna Spolnicka and Jerzy A. Salecki:  
"Prescriptions for Losing Dollars"]

[Text] The activities of the state enterprises which sell foreign goods for hard currencies in this country have for years been a sharply controversial topic. In this domain,

speaking most generally, economic rationales collide with social ones. Which should be viewed as decisive? How do we view the growth of enterprises of this kind? Would we be ready to consider it more "morally pure" if, instead of the state, private companies or foreign suppliers, for example, would handle this kind of trade and skim off the profits for themselves? Or perhaps all activities of this kind should be prohibited? Is that possible, however? What would be our eventual gain, and what our definite loss?

Finally, let us consider dispassionately whether this entire issue, the subject of such lively discussions in families, at workplaces, and also at more than one party meeting, is not actually merely a symptom of that deeply lopsided consumer goods market which is so agitating us all? And hence, is not this, in a sense, a surrogate issue?

Since these matters are loudly [a reference to glasnost] talked about, we thought it fitting to discuss them in TRYBUNA LUDU, if only in order to weigh the facts more closely and show the actual magnitude of the issue and the attendant problems. We do not intend to make arbitrary judgments and champion one position or another. We expect the readers to respond to this article. As always, we await your letters.

**The Editors**

The state internal export enterprises such as BALTONA, POLMOT, and PEWEX exist in order that the state may gain convertible currencies from purchases of foreign goods in Poland by citizens who own dollars, yens, or francs (or their substitutes—currency coupons).

On a normal market the existence of such enterprises would be freakish and represent a special network of stores for the select. But when the matter is viewed realistically, and considering that the foreign exchange owned by Poles is estimated at many billions of United States dollars (!), and that people want to spend some of it on needed or desired foreign-made goods because their output by domestic industry is insufficient, we believe that it would be nonsensical to surrender this profitable trade to indigenous "privateers" or foreign suppliers.

Last year, the sales volume of PEWEX was about 70 billion zlotys (in terms of the official exchange rate of the United States dollar). Revenues amounted to 20 billion zlotys, of which 75 percent accrued to the state budget in the form of turnover tax.

The balance sheet in Polish zlotys reveals only part of the truth about the effectiveness of this trade. The heart of the matter lies in the foreign-exchange costing: for every dollar in profits PEWEX, for example, pays 20 cents to the Ministry of Finance and 35 cents to the Ministry of

Foreign Trade (the US\$129 million transferred this year to the trade ministry provided, among other things, the hard currency needed to offset acute market shortages).

PEWEX funds (and BALTONA's too, for that matter) serve to finance the acquisition of machinery and raw materials for the domestic production of, among other things, detergents, dietary supplements and products for children, and foods. We also use that money to pay for imports of finished products such as butter, pepper, coffee, and eyeglass lenses.

Thus, when a customer pays US\$1,000.00 for a color television set, of that amount as much as US\$550.00 goes to the two ministries, while the remaining US\$450.00 in hard cash is kept by PEWEX. But US\$450.00 is not enough for buying such a TV set from the wholesale dealer or even from the manufacturer. At least US\$150.00 more is needed. The situation is alleviated somewhat—although the actual figures are highly debatable—by sales of domestic spirituous beverages for hard currency. Vodka is a “hard-currency generator,” and so are, of course, many of the foreign goods offered.

The rigid 55-cent rule (for every dollar in profits, 55 cents must be paid [to the state], and the stores still have to operate in the black) seems to be an absurdity; its elimination would enable the state to maximize its revenues from PEWEX sales. A more flexible approach, with deductions to the state being set at 10, or 20, or even 60 cents per dollar, depending on the merchandise or terms of contract, would, given greater quantities of merchandise, be good for the state budget.

#### Who is Profiting from Medicines?

Barely a few years ago, anyone who had a convertible currency or coupons and preferred to gulp down Bayer aspirin instead of Polfa, could enter a PEWEX store and buy that aspirin or other medicines there. In a more recent period, and one fatal to the economy, when justified but also imaginary pretensions met with public applause, although the state needed dollars, pounds, marks, and francs like a wanderer thirsty for water in the desert, demagogues and crooks who sniffed a chance for new profits had gained a mob of allies among naive people. The authorities surrendered to the pressure and prohibited sales of medicines, vitamins, and first-aid accessories in PEWEX stores.

The “idea of justice, honesty, and equality” won, but it had won only in theory. Thousands of people continue to meet their needs by spending foreign exchange. They pay physicians “under the table” for medicines and they also pay private middlemen, as well as, by legally transferring cash from their accounts at the PKO and NBP banks to foreign mail-order and pharmaceutical companies in the FRG, Switzerland, France, and the United States.

The ones who profit from this trade are domestic private middlemen and foreign suppliers. The Western pharmaceuticals thus sold in this country are sometimes of doubtful, uncertified quality or their shelf life has expired, and sometimes they even are harmful.

PEWEX could provide guarantees of quality and freshness, but it is not allowed to sell pharmaceuticals. PEWEX could sell them at the same price as under-the-table middlemen and avail itself of this opportunity to earn honestly for the state some US\$15 million annually. The dollars thus earned could be used to strengthen the domestic pharmaceutical industry.

But “justice” has won. We believe that the state and the public are the losers, that this is an illogical kind of justice which conflicts with common sense, actual needs, and a sane economic rationale.

#### Needs and Frills

Bearing in mind the ideas of the economic reform, a trade that yields revenues to the state should be favored by the fiscal authorities. But facts show otherwise. For in real-life situations the slogan, “anything that is not forbidden is permitted” is not enough. The simple fact is that regulations are so rigid and implemented so punctiliously, and the norms often do not fit the real situations. not to mention unique situations.

Specific example: Mr. X wanted to buy a United States-made color photograph analyzer. He knew the brand name and the name of the manufacturer, and even the address of the factory as well as the addresses of... several mail-order companies in New York which offered that particular item for US\$268.00 plus insurance and shipping costs. An employee of a Polish enterprise specializing in imports of equipment to Poland informed Mr. X that her firm could purchase 50 or 100 analyzers but one analyzer alone was not worth the hassle; the profit would not be worth it. So the potential customer sent money from his foreign-exchange account at the PKO Bank to a mail-order store in the United States and after 2 months received his analyzer. The Americans found this a worthwhile deal! Although of a certainty they earned only a few cents on every dollar received from Poland.

And here is an instance of absence of logical decisions on a thing much more important than a hobbyist's passion, namely, housing construction. At a time when the housing shortage is at its nadir, easements for private home building are continually mentioned. There exist many thousands of people who want to buy galvanized sheet metal, reinforcement steel, cement, and other building materials for convertible currencies. Yet it is no secret that we are exporting these materials in order to... earn foreign exchange. The anecdotal Mr. Kowalski [the equivalent of John Doe], who holds hard currency in his bank account or whose aunt lives abroad, cannot however buy building materials in, say, PEWEX.

Are the dollars of Kowalski (or of his aunt who lives in Brazil) any worse than the dollars of Bull or the marks of Muller?

The calculation seems logical and simple: the materials would remain in this country and not have to be imported; instead, they would turn into needed homes. Moreover, no intricate contracts have to be signed. This idea is supported by the Ministry of Foreign Trade and the Planning Commission, but at the Ministry of Finance people do not know anything about it.

The arguments of the opponents vary: "From the social standpoint," "This will roil the export statistics," and "Everyone wants dollar stores just because they are more convenient." In effect, persistent individuals re-import Polish-produced building materials, while the less resourceful ones give up.

#### **An Embarrassing Subject?**

Regulations and ceilings smother as in a vise every sensible initiative. If PEWEX wants to buy something for dollars from a Polish foreign trade agency, the domestic producer is not credited any foreign exchange for it.

The producer finds it more profitable to sell his goods abroad than at the price offered by PEWEX. After many perturbations, basically the only Polish-produced goods that still can be bought at PEWEX stores are spirituous beverages as well as minimum quantities of sofas or window curtains.

A kind of embargo applies to many other Polish-made goods. The supporters of "justice" would surely be scandalized by the possibility that Polish-produced color TV sets could be offered for dollars, yet somehow no one is scandalized by the organized gangs of touts in front of electronics stores which collect bribes of 50,000 zlotys apiece for "digging up" a color TV set. Yet hundreds of Polish enterprises would be willing (provided, of course, that they are credited foreign exchange) to sell their goods to, e.g., PEWEX.

Given the shortage of decisions, bureaucracy is running rampant through the thicket of regulations. [The sale of foreign-made] foods or cosmetics requires prior testing and certification. The point is the number of these tests and the time it takes to complete them. Ever since 1985 experts authorized to grant sales authorization have not been able to decide whether a high-protein preparation that is being sold for year throughout the world would or would not harm Polish athletes.

An intervention by the GKFFiT [Main Committee for Physical Fitness and Tourism] worked and finally PEWEX will be able to sell this preparation, although without final quality certification. This is not the only instance of an investigation that lasts for months if not for years. Anti-nicotine chewing gum is being tested ever

since July 1986, without a decision yet being made. Incidentally, this concerns specialist teams which meet twice a year, so that the wait is long.

Approval for selling electronics equipment must come from two organizations: the Central Products Quality Office and the Main Inspectorate of Energy Management, the former for checking quality and the latter for checking power consumption.

Tests already previously made elsewhere long ago are duplicated by committees with paid members. The tests and trials cost money. Could not this whole mess be handled by just one institution? Could not the tests be performed only in cases of doubt? Any child knows that a Japanese car is more economical than a Polish car. This also applies to television sets, long playing records, and radios. Everyone knows that they are already certified by their manufacturers, but in this country the majesty of the law requires that they be retested from the beginning.

There is practically no regulation curtailing the activities of PEWEX that is not officially or privately justified by pointing to so-called social rationale. "The society should not be divided into those who own convertible currencies and those who merely ogle PEWEX displays because they only have zlotys."

#### **From Demagoguery to Absurdity**

The above is supposedly the clinching argument. It is a seeming argument. Certainly, thousands of people lack any convertible currency. But it would be hard to find a family that has not even one dollar, mark, franc, lire, or some more exotic currency. It is not only the elite and crooks who have hard currencies. Tens if not hundreds of thousands of workers employed on construction projects abroad and experts working under contracts return home with "hard" money. Would they be bringing those hard currencies to Poland on the present scale if they would not be able to spend it on needed goods available in dollar stores? What is more, the social cross-section of PEWEX customers does not differ at all from the cross-section of the Polish society as whole.

Stores for the elite? For several months now the question of currency exchange offices has been under discussion. Such offices would buy coupons and hard currencies for zlotys and sell coupons for zlotys according to the free-market exchange rates fixed by the bank.

Another question: why is the decision being delayed for such a long time? Such offices would finally legitimize purchases of foreign-currency coupons. Assuming that they quote realistic exchange rates, the embarrassing black market in hard currencies would finally disappear, as would the shocking rubric in 'VETO' which unofficially sanctions what is as yet officially prohibited.

The low value of the zloty is hardly cause for rejoicing, but since it is a fact, no prohibition can eliminate this phenomenon, which should be mastered instead of being glossed over as if it did not exist. One could of course ask what would be the exchange rate of the dollar against the zloty if PEWEX stores had not existed? One could go still farther and opt for rescinding the sales of passenger cars for hard currencies, which probably also would result in lowering the exchange rate of the dollar.

But could then the domestic industry fill the gap thus arising? Would then the state exchequer have the foreign exchange for stopgap (and not only for these) purchases? There are more such questions?

The example of PEWEX, though an atypical enterprise, is typical. It mirrors the inconsistency, apprehensions, and vacillations over dotting the "i." Dollar stores are a highly emotional topic to both public opinion and the representatives of the authorities. In effect, a situation that astounds all tradespeople has arisen: one of the main criteria for the activities of PEWEX is not profitability but the response of the society. Hence also the vacillations of the policy on dollar stores—sometimes they are regarded as useful and sometimes as inconvenient, depending on the public mood.

It seems to us that during the second stage of the economic reform unequivocal solutions should be pursued. Proper consequences should be inferred from the price-shaping assumptions that would promote a balanced consumer goods market and spur resourcefulness and initiative from which both the state and the society would benefit. PEWEX could expand its sales volume but it lacks warehousing premises and store outlets. It could broaden the variety of merchandise it sells, but it is hindered by regulations and organizational barriers.

As with other kinds of firms, this enterprise needs a reform. It should sell whatever its customers desire. It should even encourage the spending of dollars. There should be no resistance, no barriers, no opposition to this, the more so considering that the foreign-exchange profits of enterprises of this kind serve our country and our common needs.

Since Poland needs foreign exchange, this being a fact, any argument against dollar stores is nothing other than malicious demagoguery and nonsense harming authentic and foresighted management that flexibly meets demand and produces effects.

#### Readers' Responses Summarized

26000092 *Warsaw TRYBUNA LUDU in Polish*  
24-25 Sep 87 p 5

[Article by Marzena Spolnicka and Jerzy A. Salecki: "Under the Mattress or to PEWEX? Readers Comment on Dollar Stores, the Zloty, and Hard Currencies"]

[Text] "Everything must be done to drain from private ownership the greatest possible amount of foreign exchange, in any way, without paying heed to the shrill

voices of those who supposedly champion social interest. After all, 75 percent of the profits of PEWEX go into the coffers of the state, and this precisely is our social interest." Thus wrote Henryk Rybak of Warsaw after the publication of the article on PEWEX and on the vicissitudes of dollar stores, "Prescriptions for Losing Dollars," in TRYBUNA LUDU of 5-6 September.

"I side with those who believe that dollar stores are socially harmful," writes Antoni Rudznikiewicz of Lezajsk. "There is one key argument which should prompt you to ponder deeply and reflect on the issue, namely, our national emblem, which, among other things, adorns our currency and... should inspire respect in every Pole. In the chase after the dollar, by bowing and paying homage to it, we exalt the national emblem of a foreign country while at the same time humbling our own. For is not it humiliating that anything can be bought in Poland for foreign currencies whereas our own, which bears the emblem of the PRL [Polish People's Republic], cannot be used to buy just anything except merchandise that often is of lower quality?"

The above passages from two letters contain diametrically opposed opinions and arguments regarding PEWEX, BALTONA, and the sale of merchandise for convertible currencies.

Although we did expect that the question of the operation of dollar stores and the consequent division of citizens into those who have zlotys and those who have foreign currencies and currency coupons would elicit a response from the readers, we were overwhelmed by the volume of that response, in terms of telephone calls and letters to the editors, as well as by the passions it revealed. Pretending that dollar stores, the black market, and illegal currency and coupon transactions, are marginal phenomena results in disinformation of both the society and the authorities, one of our callers emphasized.

#### The Opponents Have the Floor

"It is surprising that such a serious newspaper proposes the expansion of dollar stores given the existence of an unstable Polish currency," wrote Mieczyslaw Unton of Zambrow. "This concerns not so much social justice as an economic absurdity which encourages indigent and foreign 'saviors of Poland' to amass personal fortunes. The authors of the article should be asked this question: what percentage of the nation's assets should be transferred to private ownership in order for the authorities, which guarantee the socialization of means of production, to depart from the political arena in this country?"

Mieczyslaw Unton is against dollar stores. Using a kind of reverse logic, he suspects us of dreaming of neocapitalism because we are in favor of the expansion of these stores. In her turn, Zofia Wieczorek of Gniewkow, who also is opposed to PEWEX, views us as "hirelings of the authorities." Below are passages from her letter:

"All the time you speak of the state's interests, but in general you overlook the interests of the citizen or of the society. A PRL citizen wants to buy a tire for a Fiat 126p but it is not available in POLMOZBYT [automotive supplies] stores, where [when available] it is priced at about 4,000 or 5,000 zlotys, whereas it is available at PEWEX for US\$18.00.... Most citizens must buy these dollars on the black market for 1,000 zlotys a dollar. The thus state earns 13,000-14,000 zlotys additionally on each such PEWEX deal, but the citizen loses as much. Is not this shameless exploitation of the individual by the state?"

The author of that letter apparently is unaware of a perhaps trivial but also essential difference. POLMOZBYT stores sell Polish-made tires for zlotys (and, incidentally, require partial payment in hard currencies), whereas dollar stores selling merchandise for convertible currencies sell foreign-made Pirelli, Firestone, and other tires for hard currencies only. Z. Wiczorek also is outraged because a color television set costs 205,000-250,000 zlotys in a regular store, whereas in PEWEX stores it costs US\$1,000. She forgets that this concerns different kinds of television sets, and moreover that the foreign-made sets cost more abroad than in PEWEX.

"Sales of merchandise at astronomical prices for dollars to people who get paid in zlotys and must buy dollars from black marketeers serve the interests of the state but not those of the society," Ms Wiczorek concludes.

The aggressive tone of her comments renders an objective polemic impossible. We shall merely take the liberty of asking: Does the merchandise sold by PEWEX indeed include goods so indispensable to life that citizens must buy dollars on the "black market" in order to pay for them?

"It is very laudable, Comrades Editors," D. Anikus of Sosnowiec wrote, "that you are so concerned about increasing the foreign-exchange revenues of the state in order to rescue it from the crisis. But should we really begin by broadening the range of merchandise sold for dollars? Perhaps instead we should begin by putting in order the exchange rate of the dollar. The official exchange rate is nearly 300 zlotys to the dollar. In Western countries anyone can earn US\$1,000 monthly without going to special trouble. In this country, a person who earns 300,000 zlotys monthly is rolling in money. Who needs jacking up the black-market exchange rate of the dollar still higher, to nearly 1,000 zlotys, as PEWEX is doing by manipulating the prices of Polish vodkas, and as POLMOT is doing by adjusting the dollar prices of Polish-made cars to the black-market price of 1,000 zlotys per dollar?"

Further on in his letter D. Anikus observes that the jacked-up exchange rate of the dollar and of other convertible currencies has a demoralizing effect on many people, especially the young, who dream of traveling to the West and finding just any job there, in order to "earn

there, spend here." "It may be suspected," the reader continues, "that persons sojourning abroad and their relatives in this country together constitute a powerful lobby which has a vested interest in maintaining the status quo."

Kazimierz Zagrodzki of Myslowice is in favor of the "immediate shutdown of all PEWEX stores." He also offers the argument that they debase the zloty and the economy is suffering losses owing to the operation of the "vodka" standard for figuring the dollar exchange rate of the zloty. K. Zagrodzki draws attention to the "tourist" trade plied not only by Poles but also by Yugoslavs, Hungarians, and citizens of Western countries. He mentions the distress felt by Polish workers owing to their awareness that, compared with their compatriots who work abroad, their own earnings in zlotys are incommensurately low, also in relation to the hard-currency savings their compatriots bring into Poland.

A majority of our respondents favor, however, the existence and expansion of dollar stores. Generally the reasons given are similar: the state needs foreign exchange to pay for purchases or investments serving the social interest. One of the sources of convertible currencies is the dollar stores, and hence they deserve support. Without PEWEX there would exist a still greater private and on-consignment market in foreign consumer goods offered at speculative prices, and the citizens owning hard currencies would make their purchases abroad, so that foreigners would profit from these purchases. That is why PEWEX and POLMOT are preferable.

#### In Favor of Effective Action

Maciej Z. Michalczonok of Sopot, while definitely supporting the idea of dollar stores, criticizes the enterprises operating these stores, because, in his opinion, the range of merchandise they offer is too limited, they do not advertise adequately, and they operate too few stores. He moreover complains about the market monopoly exercised by PEWEX and BALTONA stores, writing:

"Perhaps the foreign-exchange revenue of the states could be increased by admitting Western businessmen to our domestic market? Let them open stores or even department stores, sell as much as they want, and pay taxes in hard currency to the state."

Beside this most far-reaching proposal there are others, less controversial.

J. Kostrzynski of Warsaw writes:

"I myself am rarely a customer of PEWEX, but I would give it more business if it also would sell medicines.... At present, trade in medicines is concentrated in the hands of grifters at Rozycki's Bazaar, where they are sold at upward of 2,000 zlotys to the dollar." The writer suggests that PEWEX open a drug order department or even resume drug sales (for the same reasons as above); and

that high customs duties be imposed on merchandise brought in by "traders-tourists," and at the same time PEWEX be encouraged to broaden the variety of merchandise it offers by relaxing some regulations restricting it (such as the limits on the amount of foreign exchange that can be retained by PEWEX after it pays its taxes).

Dr Waclaw Przelaskowski of Warsaw states bluntly, "...any initiative of PEWEX or BALTONA to expand the stream of foreign-exchange revenues to the National Bank of Poland is smothered in the vise of diverse regulations. At the same time, certain legal loopholes are being exploited by speculators on the black market.

"The prohibition against sales of medicines by PEWEX is being exploited by speculators. Thousands of people now buy medicines from middlemen in return for dollars or by availing themselves of the services of foreign mail-order houses. A black market in medicines is flourishing. People queue up in pharmacies in search of foreign medicines. The result: given the supply shortages, part of these medicines 'seeps' onto the black market or is sold 'under the counter.'"

Dr. Przelaskowski concludes that all medicines produced in Poland should be available for zlotys, and so should be specific imported drugs. But at the same time, all foreign-made medicines should be sold for hard currencies or coupons by PEWEX.

He continues his reflections, "Dollar stores should compete with the mail-order houses of capitalist countries as well as with all kinds of Polonia companies (companies established in Poland by foreigners of Polish origin)... Domestic producers who sell to PEWEX should be entitled to the same benefits [retention of part of profits in foreign exchange] as when selling to countries of Payments Area 2 [capitalist countries]."

Next, Dr. Przelaskowski offers what we consider to be the most interesting and important of his suggestions:

"Polish citizens own about 3.5 million foreign-exchange bank accounts with deposits totaling US\$2 billion. An additional US\$3 billion is stashed away in the proverbial stocking... Then also there is the ever-flowing stream of foreign exchange sent in by relatives and family members temporarily working abroad or coming from donations, etc. These resources have for years been serving as the basis for the speculation and enrichment of particular groups.

"The possibility of organizing consignment sales of PEWEX coupons for zlotys and at the same time buying up foreign exchange for zlotys at the free-market rate should be considered. This would yield additional revenues to the state (consignment fees) while at the same time curtailing illegal foreign-exchange transactions. Anyone should be able to sell on consignment his convertible currencies or coupons in such stores, and anyone

should be able buy in them coupons, and perhaps also foreign exchange (depending on the supply) as based on the shifting free-market exchange rate.

#### "Currency Exchange Offices"

The introduction of "currency exchange offices" at which anyone could buy foreign-currency coupons for zlotys according to the prevailing rate of exchange, and the opening of special teller windows in banks or special counters in PEWEX stores at which owners of convertible currencies could sell them at the free-market exchange rate, also are proposed by J. Kostrzynski. Similarly, D. Anikus believes that "the banks should handle the sale and purchase of foreign exchange and coupons so that there would be no division of the society into chosen ones who have hard currencies and natives who otherwise are forced to engage in illegal transactions."

Judging from the letters, quite a few people believe that the introduction of "currency exchange offices" based on the free-market exchange rate of the dollar not only would curtail speculation and the black market in hard currencies but also do away with the division into "haves" and "have-nots" so far as hard currencies are concerned, thus eliminating stresses, tensions, and the disputes about the usefulness of dollar stores.

And lastly, there is the equally interesting suggestion offered in the letter of H. Rybak:

"Many Poles have 'S' bank accounts. The savings in these accounts cannot be spent in this country, but they can be taken abroad!... All that is needed is to buy legally traveler's cheques, exchange them in, say, Hungary for forints, and use these forints to buy dollars on the Hungarian black market, and thereupon, on returning to Poland, declare them at the border and by then legally deposit them in the 'A' [foreign-exchange] account. Why all this trickstery? Why not introduce the possibility of purchasing goods produced by the socialist countries with their currencies?"

Our reader proposes that PEWEX or BALTONA set aside counters offering merchandise from CEMA countries. That merchandise would be sold for the currencies of the socialist countries (with the ruble serving as the yardstick by analogy with the dollar) or for the currencies of Payments Area 2 following suitable conversion. "Does not our country need the currencies of the socialist countries?" H. Rybak asks rhetorically. A similar tone is employed by J. Kostrzynski and many other of our readers. "Attractive and quality merchandise from the socialist countries should be sold for rubles, crowns, forints, and marks. In this way we shall enhance the value of socialist currencies and demonstrate that not only "greenbacks" but also the currencies of the countries of our bloc are worth acquiring and saving. We shall

show that our bloc too has a rich variety of goods to offer. And our own country, too, will benefit from this...." Such are the opinions of our readers.

We appreciate the phone calls and the letters. We are gratified to note that, regardless of whether a reader is for or against dollar stores, in practically every case he is concerned for the social interest and the country's good. This inspires optimism, especially now that we are entering upon the second stage of the economic reform, whose goals include increasing the market supply of consumer goods and strengthening the zloty. As to whether the zloty will some day be desired by... PEWEX, that will be decided by our effort and labor.

1386

### **Polish National Bank Official on Latest Bank Reforms**

26000107e Warsaw *RZECZPOSPOLITA* in Polish  
12 Nov 87 p 3

[Telephone interview with Zdzislaw Pakula, first vice chairman of the National Bank of Poland, recorded by Mariusz Chmielewski: "For the Health of the Zloty"]

[Text] The nation's banking system has for many years effectively resisted major changes. Their "first swallow of the spring" was the formation, a year ago, of the Export Development Bank, while the isolation, as of 1 November of this year, of the General Savings Bank (PKO) from the structure of the National Bank of Poland (NBP) was a harbinger of fundamental changes.

The objectives of the just-initiated reform of the banking system and the directions of the planned changes were the principal topic of the conversations between First Vicechairman of the National Bank of Poland Zdzislaw Pakula and the readers of 'RZECZPOSPOLITA' during the "Telephonethon" on 5 November.

### **How Many Banks? What Banks?**

[Question] Good morning. It is chilly in Siedlce. I'm interested in the structure of the banking system during the second stage of the economic reform. Much is being said about the need for changes, but much less is being said about the changes themselves....

[Answer] The basic premise of the reform is simple: adapt optimally and most fully the organizational structure of the banks to the needs of the economy while at the same time improving consumer services. The banking system at present consists of: the National Bank of Poland, the PKO Bank, Inc., the Food Industry Bank, the Export Development Bank, and recently also the General Savings Bank.

[Question] I know that. But I would like to know what functions will be exercised by the central bank—the NBP—and what by the other banks?

[Answer] We want to establish in this country several nationwide commercial lending banks. These banks will cooperate with the NBP, although it might be better to say that their operations will be supervised and coordinated by the NBP. The point is to conduct a uniform lending and interest-rate policy, both as regards the loans offered and the loan payments by enterprises. Another way of influencing the banks will be the refinancing rate, which will be determined by the central bank, that is, by the NBP. We want the newly formed banks to be general (multipurpose) banks.

[Question] What do you mean by that?

[Answer] This means that each bank will handle all kinds of banking operations for all of its customers, both for enterprises and for individuals, including foreign-exchange transactions. The banks will operate with funds deriving from refinancing credit, enterprise loan payments, and income from market transactions in securities.

[Question] In view of this, what will be the activities of the newly established General Savings Bank (PKO)?

[Answer] Prior to its incorporation in the NBP in 1970, the PKO was a thrift and lending institution where, in addition, consumers paid their bills. Now the PKO's scope of activities will be much broader. It will provide loans for housing construction and it also has been given rights to render foreign-exchange services to customers. Through the mediation of so-called integrated departments, using its old name, the PKO will serve enterprises of local and small industry as well as crafts. We assume that the National Bank of Poland will exercise the typical functions of a central bank, i.e., handling the money supply and circulation and keep track of personal incomes and expenditures in this country, loan plans, and the assumptions of money and credit policy. In addition, the NBP will cooperate with foreign banks and coordinate the activities of domestic banks.

[Question] I am calling from a large enterprise in Warsaw. Is there a chance that during the second stage of the economic reform enterprises will cooperate as equal partners with banks?

[Answer] This exactly is the purpose of restructuring the banking system. But why are you asking?

[Question] I am concerned about telegraphic money transfers. They are handled without any problem by all the banks in this country with which local branches of our enterprise cooperate, except by Branch No 14 of the NBP in Warsaw.

[Answer] This information surprises me unpleasantly, especially considering that there exist no obstacles to this form of money transfers. We shall see to this matter. Please accept my sincere apologies for this irregularity.

[Question] Wieslawa Skrobaczewska of Warsaw speaking. Good day. Will the planned changes of the banking system, including the division into the NBP and commercial banks, make credit more available to enterprises? Will the zloty begin to weaken instead of growing stronger?

[Answer] Despite its diversity, the banking system will retain uniformity of money and credit policy. There can be no question of any easier credit owing to the reform, as this would result in a rapid depreciation of the currency. If there exist enterprises whose management expect easier credit, they will be sorely disappointed.

[Question] Let us hope so. What then will be the nature of the loudly trumpeted competition among banks? It is hard for me to imagine.

[Answer] We pose the matter clearly: the banks must compete with each other, although this will not be a completely free competition. For the Parliament determines the priorities of credit policy and all institutions of the banking system must respect its recommendations. The newly formed banks will be of the all-purpose kind. They will all offer the same range of services and be commercial banks. To gain and keep customers, they will have to improve the quality of their services and streamline their accounting operations—after all, that is what competition means.

[Question] Well, fine, but what happens if an enterprise is dissatisfied with a bank's services? Will it be able to switch to another bank? Will it have freedom of choice in that respect?

[Answer] The number of banking transactions done between any enterprise and its partners, suppliers, coproducers, and customers is so large that granting it at the outset freedom of choice of a bank could result in upsetting the bank clearing system. We want that system to become somewhat consolidated. After 12 months the enterprise will be free to choose its own lending bank.

### The Customer Comes First

[Question] I'm calling from Bydgoszcz. It ensues from the bank reform project that our city is absent from the country's economic map. How is it possible?

[Answer] This is a totally groundless conclusion.

[Question] But I heard that regional banks are to be established in Poznan and Gdansk, but not in Bydgoszcz.

[Answer] But this doesn't mean that Bydgoszcz will be deprived of banking services.

[Question] What kind of banks will then operate in Bydgoszcz?

[Answer] The concept of the reform of the banking system envisages the formation of several regional banks authorized to operate nationwide. It is not possible for each of the 49 voivodships to have its own bank. I'm speaking of reforming and creating the banking system "from the top." In practice, however, there is no reason why banks should not be established through local initiative, so long as they operate on economically sound principles.

[Question] I'm calling from the National Bank of Poland in Starachowice. Will our branch be still needed after the NBP is reorganized? There are about 60 of us employees here, and Starachowice is a city where jobs are hard to find, and moreover many of us are about to reach retirement age.

[Answer] No reason to be apprehensive. Let me declare that jobs will be found for all NBP employees. Employment in Poland's banking system is much lower than in the systems of other socialist countries. When we reform our banking system, we will need experienced personnel. You are the employees we need....

[Question] Is the reform of the banking system being so prepared that the chairman of the NBP could go to bed with a clean conscience, in the awareness that he has not overlooked anything?

[Answer] Instead of talking about conscience, let us talk about what has been accomplished so far. We began the banking reform by establishing an autonomous General Savings Bank. The social criterion for the success of this undertaking will be the length of queues in front of tellers' windows. We are aware of this and intend to set up a preferential pay system for tellers. A bank teller should earn as much as a bank department vice director, and a junior teller should earn as much as a section chief. Whoever envies him, let him change places with a teller and see for himself what kind of work is that; he will quickly realize why this has to be so. It is then also that he will learn the meaning of responsibility, stress, and nerves. For the time being we have increased pay allowances for tellers by 100 percent. We want to improve consumer services and automate certain operations....

[Question] This is something that should have been done long ago.

[Answer] Automation is costly, and we have to buy most of the related equipment abroad for hard currencies. Nevertheless, even before this year is over, we shall equip several score PKO branches with microcomputers and printers. Shipments of ordinary adding machined will also increase. Depending on the available funds, we shall do everything to make bank customers feel satisfied with the quality of bank services.

### Calculations, Checks, Accounts

[Question] Good day; this is Marian Lubinski of Warsaw. Deputy Prime Minister Zdzislaw Sadowski has announced a revalorization of savings deposits. I keep some money at the PKO. Will I lose by letting my money stay in the bank?

[Answer] I cannot as yet comment on the details of the predicted revalorization. We are working on this jointly with our colleagues from the General Savings Bank. One thing is certain, though: the basic premise is that no depositor should suffer a loss owing to the revalorization. We shall revalorize all kinds of bank accounts, regardless of their nature. Hence there is no need to withdraw funds and spend them hastily.

[Question] I have a savings-checking account. Ten years ago I could thereby finance the purchase of a color television set. At present the maximum amount I can write out a check for is 50,000 zlotys, but this is not even enough to pay for one-fourth of the cost of a color TV set. Are not improved services supposed to be available to bank customers?

[Answer] One can pay even for a passenger car with a check, let alone a color TV set. The check has to be certified by the bank, that's all. I agree that 50,000 zlotys, the maximum that a check can be made out for without requiring certification, is too small, given the price levels at present. We shall push for having that maximum doubled when the regulations are next updated.

[Question] My children, a son and a daughter, have apartment savings books. My son took an excursion [abroad] and did not return. I would like to transfer the funds from his account to the account of my daughter. Can I do that?

[Answer] Unfortunately not. In such a situation the funds remain in a so-called blocked account and cannot be touched. You could solve the problem if your son were present or his legal status were settled. For now it is not possible.

[Question] But it was I who deposited my own money in that account!

[Answer] This is of no importance. You deposited that money in his name, on his behalf. That money is his.

[Question] What should I do? Tear up the bankbook?

[Answer] Absolutely not. The money remains there and is earning interest. There is always a chance that your son will clear up his legal status and then the money can be withdrawn.

[Question] I am a craftsman and want to produce roofing tile. I outnegotiated 11 state firms for utilizing some facilities in a former housing factory. I signed a contract

and received a loan from the Office for Technological Progress and Innovations. I invested more than 80 million zlotys in putting the plant into operation, not counting the loan, but I need 200 million zlotys more. No one at the Katowice bank wants to talk with me about such an amount. Am I to give up?

[Answer] I have a proposition. Please prepare a detailed effectiveness analysis of your project, that is, an analysis of funding sources along with an estimate of the expected effects, and apply for the needed loan to the chairman of the Food Industry Bank. He alone is empowered to decide on granting loans of that magnitude....

### Using Hard Currencies as Collateral

[Question] Hello, this is Sosnowski. I have several hundred American dollars in an 'A' 3-year savings account. Will the changes in the procedures for foreign-exchange accounts affect me in the sense that I will be paid a lower interest rate?

[Answer] Relax. This won't affect you. The agreement signed with the bank will last until its specified expiration date, as scheduled. You will be paid the full 11-percent interest specified for the owners of such accounts.

[Question] Have any limitations on the freedom of disposal of the funds kept in foreign-exchange accounts been introduced?

[Answer] On the contrary! We have introduced, e.g., for individuals who own foreign exchange of undocumented origin, certificates of deposit that pay an interest rate only one percent lower than 'A' accounts.

[Question] I heard—but I don't know whether it is true—about the possibility of getting a bank loan upon providing foreign exchange as collateral. Could I ask for more information?

[Answer] Yes, that is true. Any holder of foreign currencies may apply to the PKO bank for a loan whose size depends on the amount of foreign exchange offered as a collateral. The maximum period of the loan is 3 years. The interest rate charged is 18 percent. After the last installment payment on the loan is made, the foreign currency is returned to its owner.

[Question] Is this being planned or has this form of bank service already been introduced?

[Answer] Loans of this kind are being granted since 1 November of this year.

[Question] How much longer will the restrictions on taking foreign currencies abroad be maintained? Could it be possible to specify an amount whose transfer abroad would not require a prior permit from a banking institution?

[Answer] Any holder of foreign currencies in an 'A' account is absolutely free to take them abroad in an amount equal to the balance in his account. But this does not apply when the funds in question are of undocumented origin. Every country, no matter how fully convertible its own currency is, applies some foreign-exchange restrictions.

[Question] Excuse me, but the FRG, Switzerland, Luxembourg, and Belgium apply no such restrictions, while in France and Austria specified amounts of foreign currencies can be taken out without requiring any permit.

[Answer] Orders and prohibitions do not always apply everywhere and to everything; this especially refers to prohibitions in cases in which the decision hinges on economic accounting. Differences in currency exchange rates cause some currencies to be not worth bringing in and others to be so hard to acquire in substantial amounts that this limitation is more effective than an administrative fiat. It is my understanding that this question is one which we will take under advisement.

1386

**Black-Market Rates Paid for Official Bonds**  
*26000105f Warsaw TRYBUNA LUDU in Polish*  
*7-8 Nov 87 p 10*

[Text] There are no crowds at the cashiers window at the PKO bank at 89 Jerolimaska St., where bonds are purchased from the public. Yesterday morning only four persons, who sold a total of 205 bonds, were taken care of.

—"More people telephone than come," says Ewa Lisowska, head of the cashiers department. "They want to know first of all how much we are paying for the bonds and whether they can sell them anonymously. We reply that there are two forms: either by bearer or by name. Most often the transaction involves small amounts—5 to 10 bonds. Only once was there a case where a customer brought in an entire 100.

In three days not much was purchased in this department—only 315 bonds, at 980 zlotys each. This same price is in effect throughout the entire country. Lisowska believes that interest in this form of sales may grow because it provides a sense of safety. Furthermore, it is a fast way of disposing of a surplus of bonds (a customer is taken care of in a few minutes).

At the main office of PKO SA, which undertook the purchase of bonds in behalf of SPOLEM, we learn that this is most popular in the Szczecin district. One-third of all receipts come from there. Of the several thousand bonds which customers sold over a period of scarcely 4 days (the purchases began on 2 November) most of those outside of Szczecin were sold in branches in Wroclaw, Katowice and Gdansk. Warsaw is further down the line.

Of the 21 branches in the country which buy bonds, there is not even one which has not received at least a few. It is hard to draw general conclusions after only a few days, but it seems that if the campaign is to be a success, reaction to changes in the exchange rate of the dollar, including the black-market rate, must be swift.

The initiator of the buying of bonds was CZSS (National Union of Consumer Cooperatives) SPOLEM, which allocated 50 million zlotys for the opening-up of credits to the CZSS branch in Warsaw. With the consent of the Ministry of Finance, SPOLEM will be able to buy consumer and producer goods for dollars (for the bank will exchange the bonds for hard currency). This will increase the amounts of goods in SPOLEM establishments. It is expected that the first lot of imported goods which will be purchased thanks to the bonds, will reach the shops even before the holidays.

Two other firms are now applying for permission to have bonds purchased for them.

9295

**Profits Viewed as Major Factor in Implementing Reform**

*26000098d Warsaw ZYCIE GOSPODARCZE in Polish*  
*No 48, 29 Nov 87 p 7*

[Article by Andrzej Wroblewski: "Resourcefulness" subtitled "This Concerns a New Look at the Doctrinal Premises of the Binding Economic System"]

[Text] The purpose of the economic reform is to create the conditions for a stable and maximum possible streamlining of the economy, and especially to create the conditions for greater efficiency on the micro scale, that is, on the scale of the individual enterprise. It appears however that the attention of the framers of the attendant systemic solutions has been focused on the solutions treating separately, as it were, every individual enterprise. For so far the prevailing orientation has been toward the maximum utilization of the already installed productive capital and within the existing technical-organizational system at that. The solutions promoting the establishment of joint undertakings also are of this nature.

There is not a grain of doubt that our enterprises have huge opportunities for cutting costs, improving quality, and introducing technological progress without changing their production structure, installed productive capital, and deployment of labor force. It appears, however, that genuine progress in streamlining the economy as a whole and in the long run necessitates, above all, a mechanism promoting the redeployment of the available resources of means of production and labor toward the economic domains and organizations with the greatest economic effectiveness under given natural, technical, and social conditions. This concerns redeploying these resources even when they are being profitably utilized if it is

known that they could be utilized even more effectively in other domains or systems. The solutions so far have been oriented toward redeployment only in cases of declining profitability or of bankruptcy of the enterprise.

Let us consider the following situation: there are two enterprises, one operating very profitably and with a considerable growth potential, and the other operating with average profitability. The expansion of the former could be accelerated by incorporating the latter. This would result in reducing to a minimum the outlays on the expansion and rapid streamlining of the entire structure. But at present the former enterprise has no opportunities for buying the latter, and practically the only remaining possibility is reaching an agreement for a merger. But that is a big problem insofar as the latter enterprise is not subject to economic duress, because it can still continue to operate efficiently for a long time even in a situation of gradually declining profitability. Economic duress will arise only when that enterprise nears bankruptcy. Thus, the growth of the former enterprise requires adding new capacity, from the ground up, that is, its overall capital-intensiveness increases.

There is one other aspect of that situation. The scope and strength of competition in this country are limited to competition in selling the same goods on the market; there is no competition for a more efficient utilization of the available (capital) resources, not only among enterprises but also among subsectors. Such a situation hardly warrants speaking of a correct process of structural changes in the economy.

It appears that during the present stage of restructuring of the operating system of the economy it is necessary to activate redeployment of resources in the direction of the economic domains and structures whose effectiveness is the highest. The decentralization of the system of management and the modification of the financial system of enterprises will not suffice for this purpose. What is needed is a new look at certain doctrinal premises of the binding economic system.

### **The Concept of State Ownership**

The first question that should be considered is how to interpret the concept of state ownership.

Despite the considerable changes in the operating system of enterprises, solutions ensuing from a doctrine which links the concept of ownership exclusively to the concept of material ownership — ownership of buildings, equipment, and materials — and disregards the concept of capital ownership, that is, the concept of value inherent in material form, still continue to apply in practice. The entire detailed protection of state ownership envisaged in the Constitution and in civil law is focused on protecting the existing material substance of the state's assets. This protection is regarded as a supreme issue, although its economic value may be subject to depreciation.

Here it is worth pointing out that there exists a multitude of detailed regulations governing the sale and, especially, the liquidation of the material components of the assets of enterprises and state organizations. At the same time, the value of these assets is subject to a formal assessment reflecting the physical depreciation of their components and disregarding their economic value (consider the nature of the statutory funds of enterprises).

It is a paradox that, given such great importance attached to the protection of state ownership, there is no uniform system for registering state property. Land, for example, is practically not appraised at all, although it represents the greatest material good. We operate with the concept of the "state exchequer," which may participate in joint-stock companies through the mediation of state enterprises but without the value of the resources it represents being known. It is not known either how this form of state ownership differs from the state ownership represented by state enterprises.

The economic consequences of the material interpretation of the concept of state ownership also are worth noting. So far the effectiveness of discrete elements of that ownership has not mattered at all. High or low, that effectiveness has been of no influence on the value of state-owned property or on the price of its eventual sale. For the basis for appraising that value is formal value, determined according to the price of the acquisition of discrete components. One result is that the acquisition of unutilized components of the existing property is valued in the economic accounting of economic organizations just as much as the creation of new ones.

### **At the Disposal of Enterprises**

Another issue is the principle followed by discrete enterprises in disposing of the state property entrusted to them. Given the current practice, the statement can be hazarded that the only real applicable criterion is the retention of the ability to maintain the entrusted material assets until their complete depreciation. To be sure, there also is the bankruptcy criterion, but it is rather applied to enterprises with excessive growth or excessive consumption. On the other hand, an enterprise may continue to exist despite a declining rate of effectiveness of its assets and subsequently despite curtailment of its reproduction of these assets. This is an extreme situation, but it is possible not only in theory but also in practice.

But the problem is not so much that totally extreme situation but one in which enterprises continue to exist for years despite their operating at minimum efficiency and despite the possibility that somebody else could utilize their assets (or rather their capital) more effectively.

It is paradoxical in this connection that this possibility can be nullified by administrative means, through a system of supervision and control by parent agencies and by means of related personnel shifts.

The third issue is the mechanism of the growth-oriented proactivism of enterprises, and hence also of the economy. To what extent are enterprises interested in their own economic expansion and maximization of economic effectiveness?

Under the current system this is rather a question of the "ideology" of their organs [parent agencies].

Above all, the criterion of enterprise effectiveness still remains equivocal. In discussions and writings we mostly tend to confine our interpretation of effectiveness to economic effects. Actually, however, it is the percentage of profits that should be the sole such criterion.

In committing national assets to economic activity we—the entire society—are interested in achieving a maximum economic surplus. This surplus is the source of not only growth capital but also the collective consumption fund which, after all, represents a basic feature of the socialist system of society and a condition for translating into reality the principle of equal opportunity and social justice. Only profits or, more broadly, accumulation can be divided between the enterprise and the state, and only the share of accumulation remaining at the disposal of the state can be utilized to accomplish basic social goals.

In practice, we are far from applying the profit criterion. Of course, there are many contraindications, including the nonparametric nature of prices, as stressed by a majority of theoreticians and practitioners, the economic disequilibrium, semi-rationing by the state, the shortage of competition and the ensuing economic inequality, and the legal premises for the operation of discrete enterprises. It is possible, and apparently also necessary, to pose a converse assumption, namely, that the conditions for making prices parametric can be met only if there occurs an unambiguous transition to the profit criterion. Otherwise, criterions motivating the activities of discrete interest groups in the economy will essentially be absent.

In this place it is worth pointing to the tendency to characterize economic activity and the economy as inherently conflict-free systems. Often the impression is produced that the only substantive conflict occurs between economic organizations and the state administration. Yet conflicts of interest within the economy do occur and, in the final analysis, are its motive power. The aspiration of discrete social groups to maximize their advantages at the expense of other participants in the economic process is, after all, a real phenomenon. The only question is: what criteria motivate their economic activity? If income level and the feeling of economic and social security were to depend on profit rate and growth rate, then these will be the subjects of competition

among discrete economic groups, and the overall social effect of that competition will be economic growth and the growth in resources of the collective consumption fund. Until now, as mentioned earlier, such maximization has not been indispensable.

However, such a new approach would require changes in the entire economic system.

First, it would require dividing incomes (wages) into a guaranteed part ensuing from the attained development level of the economy as a whole, as well as from the skill category of a particular occupation (or post), and into a part that ensues from the division of profits and is contingent on economic performance (related proposals were presented in 'ZYCIE GOSPODARCZE,' No 34, 1987).

Second, the acquisition of socialized enterprises or their parts by other state (socialized) enterprises should be made possible, insofar as such other enterprises are capable of paying a price higher than the value of the enterprise's assets as ensuing from its ability to enhance its funds with profits. This concerns creating a situation in which well-performing and efficient enterprises could, instead of growing solely through the construction of new facilities, freely buy up an already existing enterprise and adapt its operation to their needs while at the same time maximizing the utilization of its assets.

Such a possibility would reinforce the growth-stimulating mechanisms. Namely, an enterprise which is not growth-oriented or highly effective would risk getting acquired by another enterprise.

Following up this direction requires, however, solving many problems beginning with the aforementioned question of the concept of ownership and ending with changes in the financial system. However, it is the social question that is the most difficult one.

#### What Equality?

We have adopted the principle of the equal right of everyone employed in the economy to participate in the management of his enterprise. Creating the possibility of the buyout of some enterprises by others would result in inequality. The buyer enterprise would desire — this being the sole economically worthwhile rationale — to exercise much more control over the enterprise it buys than do present-day parent agencies [e.g., ministries]. Thus this is bound to curtail the self-government rights of the bought enterprise in favor of its buyer. Here proper organizational and legal solutions would be needed. For example, joint-stock companies with the participation of [worker] self-government representatives in the supervising council, together with the buyer's representatives, might be possible.

Let us point out that even now there exist certain deviations from the principle of equality of rights to participation in [enterprise] management; among other things, the commercial law now permits the formation of joint-stock companies, the employment of nonmember outsiders by certain cooperatives, etc.

But in order to initiate the processes defined as desirable, it is necessary to carry out essential changes in the currently binding system. I propose that the following solutions be considered:

1. An explicit definition of the concept of ownership by the state exchequer.
2. Acceptance, with respect to the already existing state enterprises, of the idea that the value of their statutory funds, as adjusted to 31 December 1987, represents the value of participation by the state exchequer. This would also require renaming the statutory fund (its both parts) as charter fund, in accordance with the proposals contained in the "Theses."
3. Acceptance of the idea that any state enterprise can buy from a parent agency the charter fund, or part thereof, of any other enterprise, at a price higher than the value of the charter fund and the enterprise fund (according to the "Theses," the latter represents the second part of enterprise funds).

An enterprise that has been paid for becomes turned into a joint-stock company with the buyer enterprise becoming a shareholder in it. In the event that an entire enterprise is purchased, it can also be made part of the buyer enterprise. The decision is up to the buyer. The conduct of this operation should not require the consent of the bodies [worker council, etc.] of the purchased enterprise (this is to be a deviation from the present regulations). However, the enterprise may avoid being "put up for sale" by using its own profits to increase its funds to a level exceeding the price offered by the potential buyer.

Introducing such a system would require organizing a kind of bourse on which the values of enterprise funds would be recorded. Bourses of this kind could be organized by, e.g., the minister of finance twice a year — after the yearly balance sheet is completed and 6 months afterward. Potential buyers should also have the right to inspect the balance sheets of enterprises. Furthermore, the bourse should be manned by "experts" who, upon the request of interested parties, would appraise the real value of the assets of specified enterprises with allowance for the actual value of their discrete assets. Such a committee could appraise at a lower level the value of charter funds and enterprise funds if it finds that their book value does not correspond to their actual value.

Such a solution could increase the pressure, or economic duress, on a failing enterprise to reverse its decline and retain its autonomy (and the experience of recent years

indicates that this is an important consideration to enterprises and their work forces). Individual enterprises would be motivated to maximize the rate at which they increase their capital out of fear of a takeover by other enterprises.

In their turn, rich and growing enterprises could decide on the means of their growth by either building new facilities or buying out and adapting to their needs already existing enterprises. Granting the right of subsequent resale of the thus bought enterprises also would be indispensable. Such operations could be carried out either on the abovementioned "bourse" or through direct agreement between interested parties.

It appears that the implementation of the solutions proposed above entails the assumption that a purchased enterprise is transformed into a joint-stock company and the buyer (or buyers, if several enterprises are involved) would own shares corresponding in value to the nominal charter fund of the purchased enterprise. At the same time, the participation of the work force of the purchased enterprise in its management should be assured by, e.g., including delegates of the work force in the membership of the supervising council.

#### The Rights of the Work Force and of Citizens

Also to be considered should be granting to the work force of the purchased enterprise the right to increase that enterprise's capital by having it issue shares to employees. Other potential shareholders to be considered should be local self-governments, provided that the concept of communal ownership is introduced. Socialized joint-stock companies in which the state exchequer and state enterprises would own at least 51 percent of stock should likewise be considered. This appears desirable.

In addition, the rules for the social security of citizens should be changed. The current social-security system is chiefly geared toward employees of socialized work establishments. Normally the plant or factory itself pays sickness and other benefits and determines the amount of pension or annuity as a function of the employee's earnings over a given period of time. This causes a conflict between the need to be resourceful by, among other things, taking the risk of different wage levels and different nature of labor and thereby also risking personal social security, and the convenience of being employed in return for social security benefits. [Convoluting prose that refers to the risk involved in quitting secure lifetime state employment with a guaranteed retirement program and striking out on one's own.] This is a real problem. An overwhelming majority of us would like to feel as much secure as possible. It is thus necessary to switch from social security for employees and their families to social security for all citizens. This requires restructuring the social insurance system. It is to be assumed that every citizen resident in this country is to be entitled to social security benefits, provided that the

premiums are paid on his behalf. These premiums should be based on his income, and they should be paid either by his employer or by himself.

At the same time, the principle that all social security benefits be paid directly by the insurance institution should be adopted. This should apply not just to old age pensions and annuities as is the practice until now but also to sickness benefits, maternity benefits, education allowances, and family allowances. The basis for paying these benefits and allowances should be the duration of the period over which premiums are paid and the amount of the premiums. A possible consideration would be that the requirement for eligibility to benefits is to be (with the exception of annuities and old age pension) the payment of premium over a period of at least 2 years and that interruptions of premium payments should not last longer than, say, 3 months. The amount of benefits paid should be determined as a multiple of the premium paid by the insured during the preceding year. For example, assuming that the premium payments amount to 30 percent of one's wage or salary, sickness benefits, etc., could amount to twice or thrice the amount of the premium.

As regards old age pensions and annuities, the basis for determining their amount could be a multiple of the average premium payment corrected for the ratio of the premium payment by the person in question to the average premium payment over, say, the last 10 or 15 years of work. In addition, the old age pension or annuity to be paid in a given year should be determined on the basis of the average premium payment made in the previous year. Such a system would resolve the present problem of determining the size of old age pensions and annuities, determining eligibility, and deciding on the period of time. The place of work and the nature of work would not matter. The only thing that would count would be the premiums actually paid by the insured.

Given the current level of the facilities and organization of the ZUS [Social Insurance Institution], such a solution is feasible. It could also allow for fixing a certain minimum required premium payment in relation to income, to be withheld from all wages and for the right of the citizen to make higher premium payments if he so wishes.

In addition, the insurance institution should change the nature of its operations. It should become a financial institution and invest its surplus funds in economic activities serving to promote public health, safety of labor, and social services. Such activities would serve to strengthen the infrastructure of these domains, while at the same time making it possible to earn funds for, e.g., social (lottery-drawn) annuities, preventive care, or even reducing the size of premium payments.

#### **Industrial Law**

Given the growing complexity of economic relations, organizational forms, and intersubsector ties, the traditional approach to determining the rules for the initiation and cessation of economic activity by various types,

kinds, and forms of economic organizations and enterprises presents an obstacle to the growth of economic initiative. It appears that there is an urgent need to draft a kind of "industrial law" that would define uniform principles for the initiation of economic activity by anyone, beginning with individuals and running through units of the nonsocialized sector [private firms], cooperatives, state enterprises, etc.

The premise to be adopted should be that the rules for initiating and engaging in economic activity hinge not on sector [socialized or private] and type but on the size of the organization. Hence, and for this reason, the following categories should be distinguished: crafts shops employing, e.g., up to 10 persons; petty enterprises employing, e.g., up to 50 persons; small enterprises employing, e.g., up to 100 persons; medium enterprises employing, e.g., up to 500 persons; large enterprises employing, e.g., up to 2,000 persons; and big enterprises. Of course, in a sense, this is an artificial division; it can be shown that it is not valid from the standpoint of, e.g., material scale of production. Nevertheless, it has the advantage of being lucid and alleviating management problems as well as for socioeconomic problems of operation.

Depending on the category, i.e., size of enterprise, the conditions for its formation should differ. For example, enterprises in the categories ranging from the crafts shop to the medium enterprise should be dutybound to notify the proper local government agency, the appropriate minister (depending on the nature of their production), and the local office of the State Treasury, that they have started operating and submit a declaration attesting that they are adhering to special regulations concerning, e.g., environmental protection, sanitation, and safety and hygiene of labor.

In addition, the procedure for the state's supervision of the activities of these enterprises should be determined. This refers to supervision intended to ascertain that these activities are consonant with the law. In particular, here the scope and forms of supervision by the appropriate minister, e.g., the minister of construction in the case of construction enterprises, etc., should be determined. It might also be advisable to consider [delegating appropriate supervisory powers] to the voivodes [province governors], provided that they are relieved of certain other duties, in the event that the concept of communal ownership by cities and gminas is introduced.

1386

**Rise in Costly Reimport of Polish Goods**  
*26000105c Warsaw ZYCIE WARSZAWY in Polish*  
5 Nov 87 p 6

[Text] The phenomenon is familiar and has been often described with relish by the press and recently by the combative television news program. Someone exported,

probably with difficulty, something which someone else, several days or even a year later, imported back into the country, usually overpaying by a large amount.

To what extent does this strange trade take place? Thus far we have dealt mainly with surmise, but recently, thanks to the Institute for Economic Development of the Central School of Planning and Statistics, information on this subject has become available. A poll of a large number—596, state enterprises showed that 5.5 percent of them are importing Polish goods which had been previously exported. Most of these cases occur in trade with highly developed capitalist and developing countries. But other countries are also involved. Sometimes we are even able to buy Polish goods in socialist countries, although it would seem that this trade is as strictly controlled as no other, and planned years ahead of time.

Furthermore, the institute's poll shows that in recent months this practice is increasing: 3.7 percent of the enterprises said that they been importing Polish goods for more than a year and a half. Others have begun to do so in the last 10 months and with each month the number has been increasing. The poll also showed that Polish goods which are imported usually cost 120 percent more than the same goods purchased in Poland. This is an average figure. Many enterprises overpay several-fold, although there are also some who report that they are able to obtain Polish goods cheaper abroad than in this country.

To some readers, and to the enterprises themselves, the conclusions reached by the Central School of Planning and Statistic's scholars will probably be even more disturbing than all of these statistics. They feel that no great tragedy should be made of this strange trade, no sudden prohibitions should be issued, nor should we be particularly concerned about it.

They say that this is the price we have to pay for the pro-export orientation of our economy. At the present stage, any kind of intervention would be ineffective. In many cases, Polish goods have been exported for many years. It began back in the days when foreign trade was a total state monopoly. And even back then, the barriers set up against it failed.

After all, we are trying to open the Polish economy to the world. Polish enterprises must learn how to find the best and cheapest suppliers on the domestic or the international market. When the Polish economy continues to be under heavy state control, we must accept the fact that a foreign supplier of Polish goods will turn out to be a competitor. Thus this is still one more way of breaking domestic monopolies. We must pay for the lesson of functioning on the international market. An attempt at immediate administrative interference in market mechanisms would not be a good solution.

### Pay-Scale Program at Individual Enterprise Studied

26000105d Warsaw TRYBUNA LUDU in Polish  
6 Nov 87 p 2

[Article by Jan Kraszewski: "The Pioneers at UNIONTEX on the Pay-Scale System"]

[Text] Lodz—UNIONTEX is the largest cotton factory in the country and stands out from among the others because of its pioneering endeavors in the area of production and wages. The application by the workers self-management in this factory for permission to institute an experimental wage system was assigned top priority by a former ministry. This later became a universal practice. Now the management's ambitions are even greater. The workforce, in a general referendum, voted in favor of selling shares of the factory to the workers. The former ministries did not give their consent.

On 5 November, members of the OPZZ [party-owned pseudo-unions] Economic Committee, which happened to meet in UNIONTEX, discussed this application. I understood, as I was driving there, that this was not accidental. Just as others, I wondered what the Minister of Labor and Social Policy, Janusz Pawlowski, would have to say. And how the vice chairman of OPZZ, Wacław Martyniuk, and the committee chairman, Wojciech Wisniewski, would conduct this meeting.

The minister took the same active part in the discussion as did the members of the committee in expressing their opinions on the draft of the amendment to the law on factory wage systems. There was a dispute not only as to the wording, but also on the rules for entering into sector collective bargaining agreements. There was no lack of doubts, but it was finally agreed that no figures can be written into the general documents, but only the statement that the lowest wage cannot be less than the cost of living. In this way a chance was given to those enterprises which in the second stage of economic reform will decide how much their employees will be paid.

Reference was made to the job evaluation methods advocated by the central authorities as being helpful in establishing these difficult ratios. It also appeared from the discussion that the central authorities will be consistent in applying the principle of unlimited earnings. This applies to the managers also. Their base salaries are to be fixed by the parent organs—still unknown in many cases—but the workers self-management will be able to exert an influence on the final amount.

The committee members submitted many corrections to the draft amendment to the law on the establishment of factory wage systems. But it was felt by their statements that these proposals are not yet final. More proposals are expected from the plant union organizations.

**POLAND**

**1988 Poppy Growth Limited to Current Levels**  
*2600064g Warsaw RZECZPOSPOLITA in Polish*  
*22 Oct 87 p 4*

[Text] Next year the acreage on which poppies are grown will not be smaller than now and will remain at the 4,200 hectare level. But the number of voivodships in which such crops will be permitted will be fewer.

Because addiction in Torun voivodship has increased, poppy growth there has been banned. In Bydgoszcz and Pilsk voivodships, the crop limit has been reduced. Cultivation in the Chelm, Przemysl and Wloclawek voivodships has been increased.

These changes are introduced by an order issued by the minister of agriculture, forestry and food economy on the basis of the narcotics-addiction law. It states also that only the Peasant Self-Help Cooperative, HERBAPOL, and the Plant and Seed Cultivation Enterprise may contract for poppy crops.

But poppies are not the only rawstuff sought by our drug addicts. Another is hemp, the cultivation of which, i.e., its amount and region in which it is grown, has been

adapted to the requirements of the flax industry and the ability of enterprises which sell textile and leather rawstuffs to contract for it. Acreage next year will be reduced by 1,458 hectares and will not exceed 5,055 hectares. Hemp will be gathered in only 11 voivodships and not in 14 as in the past.

A reduction in the acreage of these crops is one of the recognized ways of preventing drug addiction. Therefore, many people have doubts as to whether the provisions of the agricultural minister's order are being observed.

The "Poppy" operation, conducted in August of this year by the voivodship internal affairs offices, made it possible to verify whether this is so. As part of this operation, militia officials together with representatives of the agricultural services conducted a survey of all croplands in our country. This revealed 4,666 cases of poppy and hemp sowing without a permit, which led to the initiation of 3,000 preliminary legal proceedings. At the same time, militia officials confiscated 36 sets of poppy-processing equipment and 1,541 poppy-sap cookers; 1,016 persons were held for questioning.

9295